

# The Single Source Regulations Office

## **Annual Report and Accounts 2017/18**

Presented to Parliament pursuant to Paragraph 13 (5) of Schedule 4 of the Defence Reform Act 2014.

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## Chairman's Foreword

I am very pleased to present the SSRO's Annual Report and Accounts 2017/18.



The single source procurement regime will enable improvements in single source defence procurement. It is vital that single source contracts deliver the goods, works and services the UK government needs for defence purposes, and the regime is helping to foster a more efficient and productive defence industry.

The Act established a framework that places controls on the prices of qualifying contracts and requires greater transparency on the part of defence contractors. The SSRO plays a key role in supporting the framework and the improvements in defence procurement it is intended to deliver. This annual report tells the story of our work over the last year, and sets out how we have delivered this support through our statutory functions in a timely manner and to a high quality. Through our work we have:

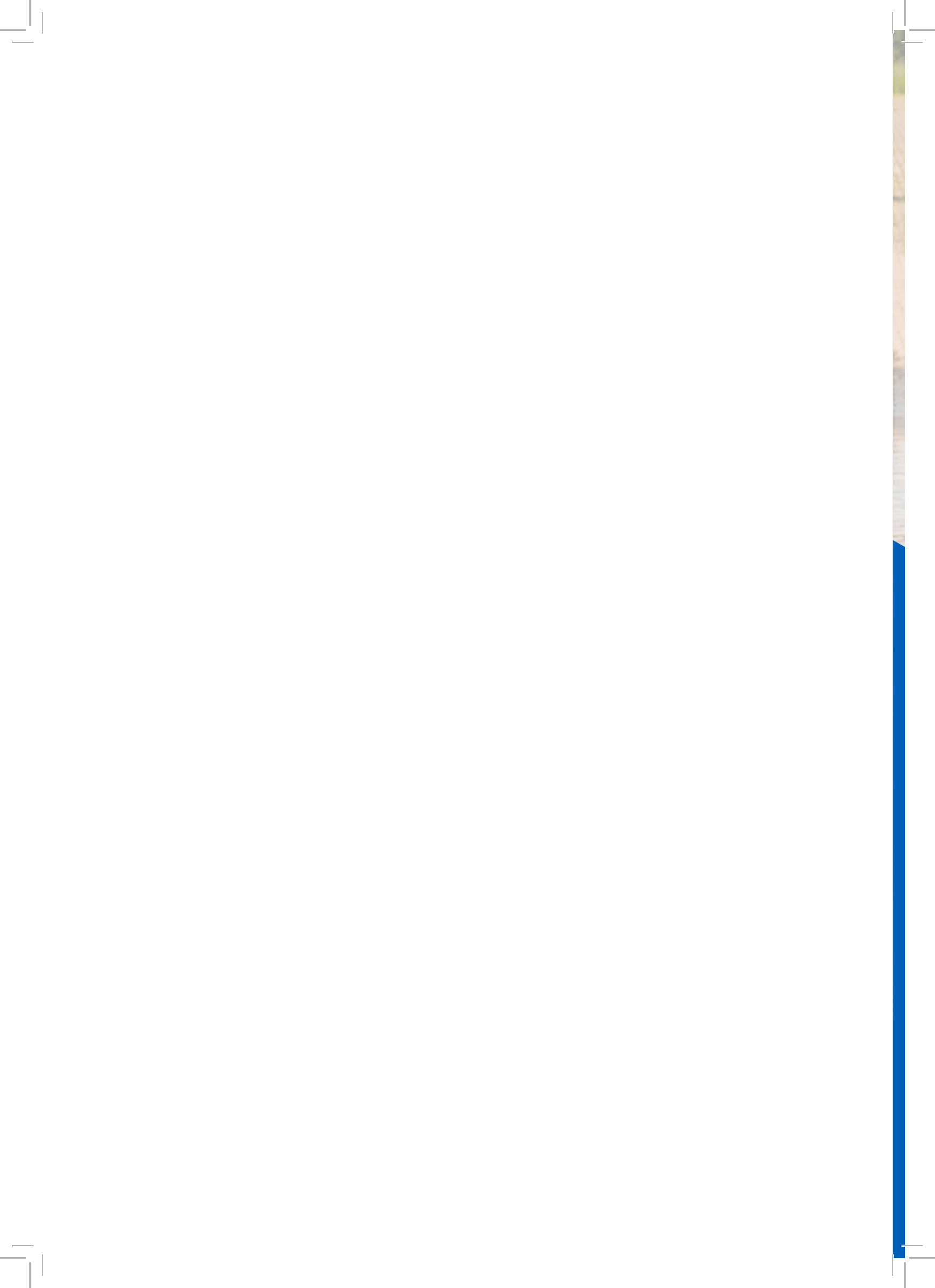
- provided clear guidance to support delivery of contracts that deliver value for money and a fair price to industry;
- continued to develop and significantly improve the Defence Contracts and Reporting System (DefCARS), with input from the defence industry and MOD users, providing an easy to use, secure means of submitting statutory reports;
- enabled the MOD and defence contractors to securely access and use the data they have provided;
- provided expert responses on questions referred by the MOD and defence contractors; and
- supported the Secretary of State in his review of legislation through objective, evidenced advice.

To be effective in delivering its functions, it is important that the SSRO engages with and understands the MOD, defence contractors and the defence procurement landscape. Over the year we have listened carefully to the views of all our stakeholders. From site visits to industry facilities, hosting consultation workshops to speaking and listening at parliamentary committee hearings. We have also increased the training and support we offer to a wider group of organisations. Our priority has been to achieve a greater understanding between the SSRO and its stakeholders about how each contributes to the regime and its aims. We will continue to strengthen and build on these relationships to drive benefit realisation to all.

Looking forward, we will continue the momentum, focusing on the delivery of our statutory functions in an independent and objective manner with ongoing meaningful engagement with stakeholders. I firmly believe that the regime offers an invaluable opportunity to improve single source defence procurement, supporting innovation and ensuring value for money, and this can best be achieved through engagement and cooperation.

*During the year, the SSRO Board has welcomed additional members and now consists of myself as Chairman, five non-executive members and three executive members.*

*I am grateful to the non-executive members for bringing their expertise and enthusiasm to the Board, to the staff team for their hard work and dedication throughout the year, and to all our stakeholders for their continued support.*





# Performance report





## Overview

Purpose and activities of the SSRO

Chief Executive's perspective on performance

Key issues and risks for the SSRO

## Performance analysis

SSRO's performance against its key measures

Financial and other performance during the year

## Purpose and activities of the SSRO

*“This framework is based on greater transparency and standardised reporting, with stronger supplier efficiency incentives, underpinned by a stronger governance arrangement, and the creation of an independent body – the Single Source Regulations Office (SSRO).”*

**Ministry of Defence  
Equipment Plan 2017-27**

*“If they are implemented and applied effectively the Regulations offer considerable opportunities to improve contract management.”*

**Improving value for money in non-competitive procurement of defence equipment, National Audit Office, October 2017**

The Defence Reform Act 2014 made changes to the way the UK government non-competitively procures defence equipment and services and established the Single Source Regulations Office as an executive non-departmental public body to play a key role in the regulation of single source, or non-competitive, defence contracts.

The SSRO has 36 staff, six non-executive members, and an outturn expenditure in 2017/18 of £5,697,000.

The SSRO seeks to provide:

- more certainty and transparency on pricing and reporting through clear guidance;
- an independent view on cases referred by the MOD and defence contractors, clarifying or resolving disagreements on how the regime applies to proposed or existing qualifying contracts;
- an annual recommendation on the baseline profit rate, capital servicing rates and SSRO funding adjustment to be applied to determine the profit rates of qualifying contracts;
- an independent review of the provisions of the regulatory framework;
- an easy to use, secure system for submitting reports, which provides valuable contract and supplier information;
- analysis of reports provided to the SSRO; and
- a review of the extent to which contractors are complying with their reporting obligations.

When undertaking our statutory functions, we aim to ensure that:

- good value for money for the taxpayer is obtained in government expenditure on qualifying defence contracts; and
- persons who are parties to qualifying defence contracts are paid a fair and reasonable price under those contracts.

# Chief Executive's perspective on performance

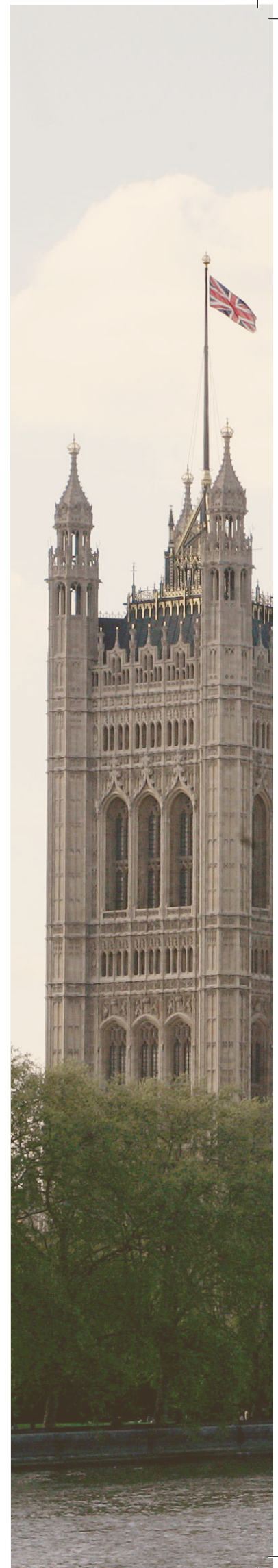
Over the past year the SSRO has focused on delivering its statutory functions – doing our job and doing it well. We have met 8 of our 11 key performance indicators. We spent 99 per cent of the grant in aid funding provided, which totalled £5,780,000 for 2017/18. Our work has included:



- reviewing and updating our statutory guidance on Allowable Costs, the contract profit rate and reporting requirements;
- issuing an opinion on a matter referred by the MOD;
- recommending a baseline profit rate, capital servicing rate and SSRO funding adjustment to the Secretary of State;
- completing a review of the Act and Regulations, including a study on cost risk and incentives, culminating in recommendations provided to the Secretary of State;
- further developing the Defence Contracts and Reporting System (DefCARS) used for submission of statutory reports;
- exploring the benefits to be derived from the reported data submitted by contractors, including regular statistical bulletins, which we publish on our website; and
- publishing an annual report that sets out the findings from our review of the operation of the single source procurement regime.

We have also made engagement with our stakeholders a priority. We have focused on three areas:

- Reaching a common understanding of the regime and the SSRO's role.
- Meeting, listening and responding to stakeholders' views on the regime and how it is working, ensuring they have the opportunity to input evidence and views to help shape and prioritise the SSRO's work.
- Gathering evidence, analysing information and increasing knowledge to ensure all stakeholders can learn from the regime and collectively improve defence procurement.



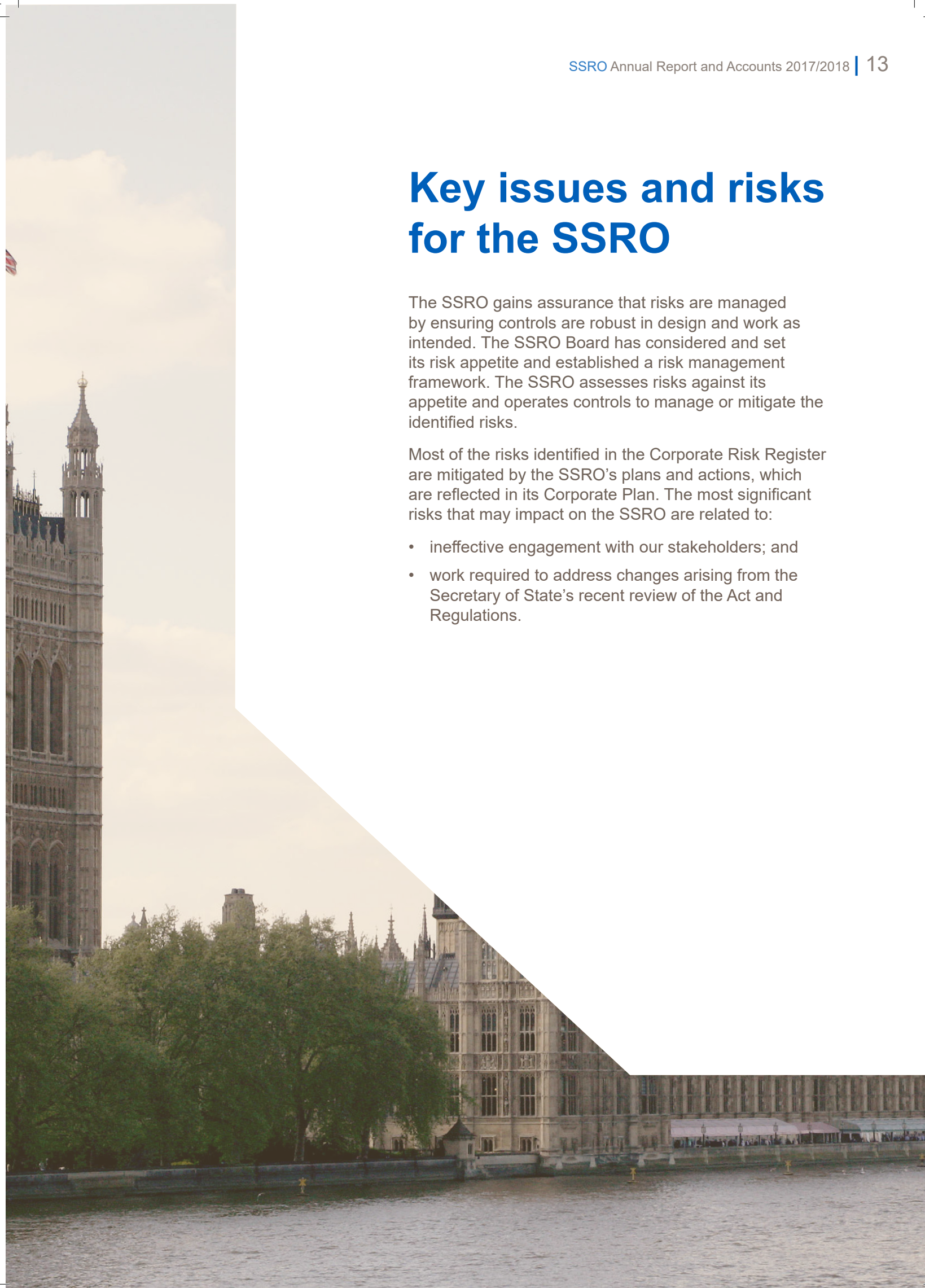


## Key issues and risks for the SSRO

The SSRO gains assurance that risks are managed by ensuring controls are robust in design and work as intended. The SSRO Board has considered and set its risk appetite and established a risk management framework. The SSRO assesses risks against its appetite and operates controls to manage or mitigate the identified risks.

Most of the risks identified in the Corporate Risk Register are mitigated by the SSRO's plans and actions, which are reflected in its Corporate Plan. The most significant risks that may impact on the SSRO are related to:

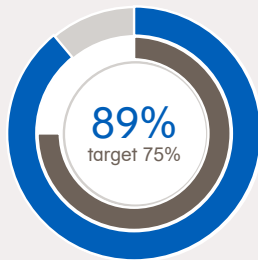
- ineffective engagement with our stakeholders; and
- work required to address changes arising from the Secretary of State's recent review of the Act and Regulations.



# SSRO's performance against its key measures

The following performance indicators were included in the SSRO's Corporate Plan 2017-2020.

## Objective 1: Have effective, fair and transparent engagement and adjudication with MOD and industry

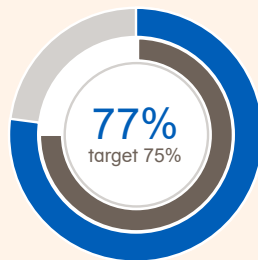


Proportion of stakeholders who consider the SSRO engages well



Final determinations issued within 5 months of acceptance and opinions conducted within 40 working days of acceptance

## Objective 2: Issue authoritative and impartial rates and guidance



Proportion of stakeholders who believe the SSRO's guidance to be clear and applicable



Substantive responses to stakeholder questions provided within 10 working days

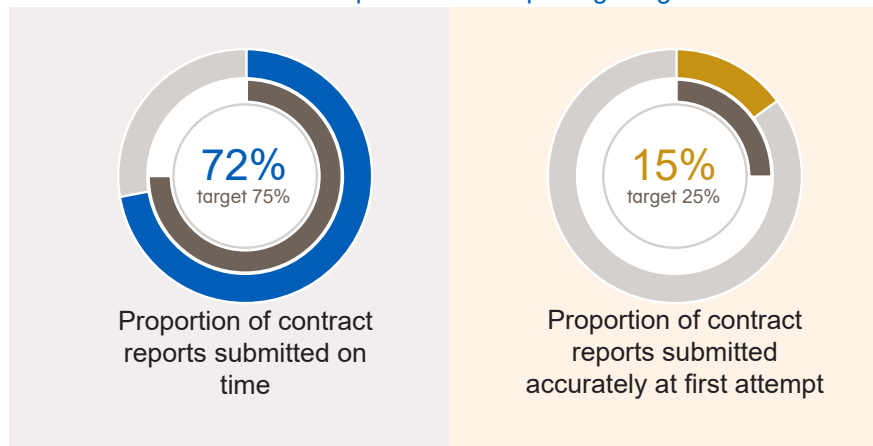
## Objective 3: Establish reputation as a respected source of expertise in single source defence procurement



Number of website downloads of SSRO studies



**Objective 4:** Review and report on the operation of the regime, and compliance with reporting obligations



**Objective 5:** Value and develop our people and information and be financially responsible



## Objective 1: Have effective, fair and transparent engagement and adjudication with MOD and industry

The SSRO provides clarity and assists contracting parties to apply the regulatory framework through providing opinions and making determinations in response to valid referrals from the MOD, contractors and sub-contractors. The SSRO accepted one referral for an opinion in October 2017, which concerned the extent to which costs agreed prior to conversion of a contract to a Qualifying Defence Contract (QDC) may be treated as Allowable under the Defence Reform Act 2014. In February 2018, we published a summary outcome on our website to help promote a greater understanding of the regime.

Throughout the year, we have continued our active programme of engagement with key stakeholders to help raise awareness and understanding of our role and the Regulations.

In 2017/18, we undertook our first stakeholder survey to measure performance against several of our key performance indicators and better understand stakeholders' views on our work and how we engage with them. We commissioned BMG Research, an independent market research company, to carry out the survey on our behalf.

The results from the survey showed we are engaging well<sup>1</sup> but we will continue to seek to improve how we undertake our engagement. We have used the information obtained in the survey to help us identify how we can improve the methods by which stakeholders input into our work and this will continue to be a focus in our Corporate Plan.

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<sup>1</sup> As evidenced by the results of our stakeholder survey, which is available on our website

## Objective 2: Issue authoritative and impartial rates and guidance

### Baseline profit rate

The SSRO made its recommendations for the 2018/19 baseline profit rate, capital servicing rates and SSRO funding adjustment to the Secretary of State on 30 January 2017. On 15 March 2018 the Secretary of State announced that he had accepted the SSRO's recommendations and our methodology. Alongside the announcement, the SSRO published its methodology, a question and answer briefing, and a series of factsheets containing detailed information on the rates.

Element	2017 rates	2018 rates
Baseline profit rate (BPR) (% on contract cost)	7.46%	6.81%
Fixed capital servicing rate (% on Fixed Capital employed)	4.84%	4.38%
Working capital servicing rate (% on positive working capital employed)	1.37%	1.21%
Working capital servicing rate (% on negative working capital employed)	0.59%	0.53%
SSRO funding adjustment	-0.025%	-0.024%

The SSRO considered the matter of 'a fair and reasonable return to industry' in our discussion paper entitled 'Developing the SSRO's approach to calibrating profit rates', published in June 2017.

### Guidance

The SSRO periodically evaluates and assesses its published guidance to ensure it is clear and remains fit for purpose. We reflect on our evidence base when we undertake such reviews, including outcomes from referrals and frequently asked questions we have received through our helpdesk service and stakeholder feedback.

In 2017/18, the SSRO implemented a more structured approach to reviewing guidance with increased opportunities for stakeholders to input their views throughout the process, involving initial working papers, workshops with industry and the MOD and public consultation.

During 2017/18, we updated:

#### Allowable Costs guidance

Updated guidance was issued on 1 February 2018, with a two-month familiarisation period before taking effect on 1 April 2018. The guidance remains principles based but has been restructured to aid understanding and includes updates on various areas, such as costs associated with entertainment, sales and marketing, and rework and faulty workmanship.

#### Guidance on the baseline profit rate and its adjustment 2018

On 15 March 2018 the SSRO reissued its guidance on applying the six steps to be used when determining the contract profit rate for a qualifying defence contract or qualifying sub-contract. This updated the baseline profit rate, funding adjustment and capital servicing rates which apply for 2018/19. No other part of the guidance was updated.

#### Reporting and DefCARS system user guidance

Following consultation with the SSRO's Reporting & IT sub-group, the SSRO published an update to its reporting and DefCARS system user guidance on 22 November 2017. This update drew on feedback from users and included improvements to guidance on submission of Quarterly Contract Reports and enhancements to system functionality.

## Objective 3: Establish reputation as a respected source of expertise in single source defence procurement

The SSRO's web-based version of the Defence Contract Analysis and Reporting System (DefCARS) launched on 15 March 2017. Since its launch, we have regularly consulted users and implemented improvements through monthly system updates to improve the ease and speed of data entry.

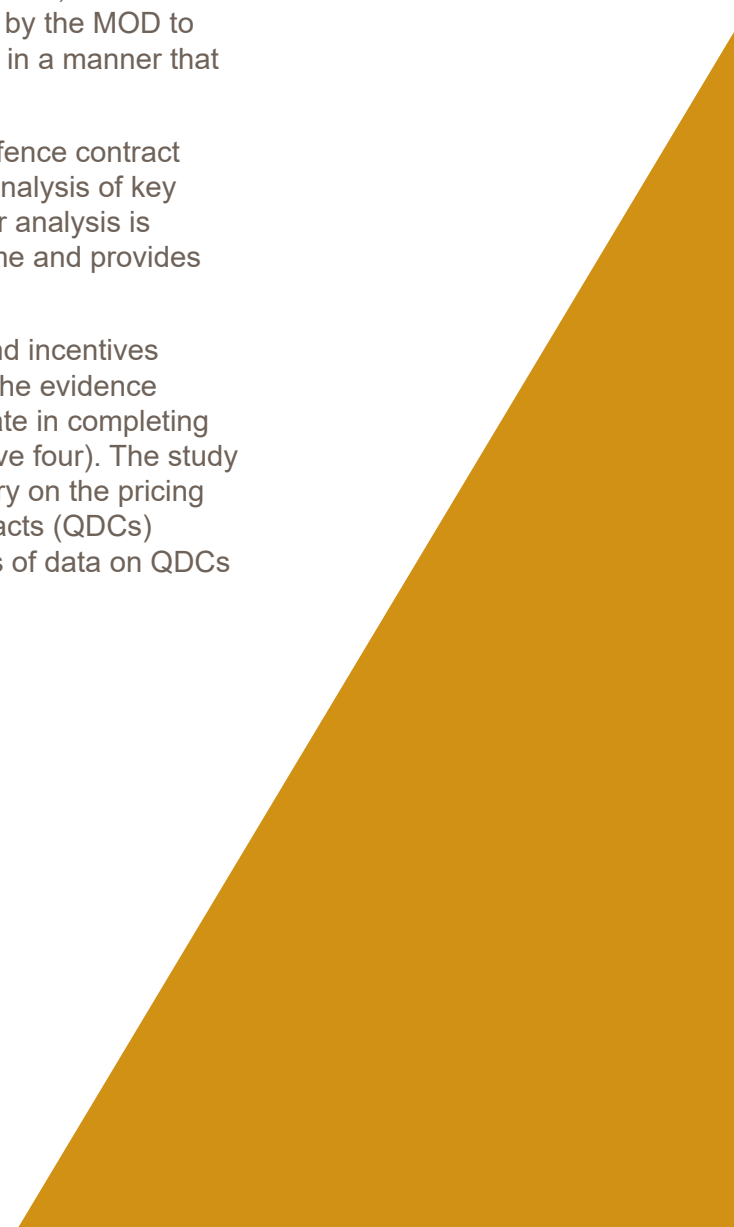
DefCARS is accredited to handle information up to and including OFFICIAL-SENSITIVE COMMERCIAL and is subject to independent risk assessment, risk treatment and robust assurance processes.

The contract with the current DefCARS provider ends in July 2018 and the SSRO has undertaken a competitive procurement exercise for the ongoing hosting, support and development of the database.

As part of its functions the SSRO has begun to utilise secure analytical tools integrated within DefCARS, whereby authorised SSRO and MOD users can generate comparative management information, defence benchmarks and parametrics. This data may be used by the MOD to work with industry to negotiate and manage contracts in a manner that is aligned with the aims and principles of the Act.

This year the SSRO published quarterly qualifying defence contract statistics and an annual statistics bulletin containing analysis of key QDC/QSC information we received via DefCARS. Our analysis is important in increasing transparency around the regime and provides useful insights to both the MOD and industry.

In January 2018, we published a study on cost risk and incentives in qualifying defence contracts, which formed part of the evidence provided by the SSRO to support the Secretary of State in completing his review of the legislation (detailed further in objective four). The study addressed issues raised by both the MOD and industry on the pricing of cost risk and incentives in qualifying defence contracts (QDCs) regulated under the Framework and included analysis of data on QDCs agreed in 2015/16 and 2016/17.



## Objective 4: Review and report on the operation of the regime, and compliance with reporting obligations

### Review of legislation

In June 2017, the SSRO made recommendations to the Secretary of State for changes to the Defence Reform Act and Regulations, following extensive stakeholder engagement including a public consultation. The 14 recommendations were targeted at enhancing the regulatory framework to better achieve good value for money for the government and fair and reasonable prices for contractors. The recommendations document included consideration of feedback from consultation as well as setting out proposals that did not result in recommendations for change.

We worked with the MOD after submission of our recommendations, to support the Secretary of State's own review.

We published our recommendations document in January 2018, after the Secretary of State's review was completed, together with our report on cost risk and incentives. We have continued to engage with the MOD to understand what changes will be made and how they will be implemented.

### Reporting requirements

The SSRO kept under review the extent to which organisations subject to reporting requirements were complying with them. In October 2017, we published our annual report on the single source regime using our compliance and review methodology published in January 2017. This year's report showed progress with respect to the submission of contract report data, and we continue to work with both the MOD and contractors to ensure that issues identified in the submission of reports are raised and resolved in an effective and efficient manner.

We assisted users to meet their reporting obligations throughout the year, by:

- standardising the on-boarding process for all contractors (including SMEs) new to the regulatory framework, including induction training on reporting requirements and use of DefCARS;
- implementing an ongoing review of reporting guidance and combining this with DefCARS user guidance;
- maintaining a Helpdesk service for industry and the MOD;
- collecting and reviewing feedback from industry and the MOD;
- continuously improving DefCARS to make it easier and quicker to submit reports; and
- providing training to around 150 MOD and industry users of DefCARS.

## Objective 5: Value and develop our people and information and be financially responsible

The SSRO's success in meeting its statutory obligations depends on the quality of its Board and its staff. To operate effectively, we need a team of high calibre individuals, with relevant skills and experience across a range of specialisms.

The SSRO has maintained and improved the expertise and capacity of its Board through recruitment of two additional non-executive members and regular training.

We value our people and have various ways to encourage, and listen to, the thoughts and ideas of staff members. This includes conducting an annual employee survey with an associated action plan. This year we established a Staff Group to provide a forum for consultation and discussion about issues affecting colleagues. Staff development is important and this year the SSRO undertook a skills survey to identify training needs to be addressed to ensure we remain fit for purpose, the results of which informed our staff development programme. These needs included building our corporate knowledge and understanding of the defence sector, which has been addressed through events and stakeholder visits, including all staff attending an RAF Air Combat Power event in October 2017.

The SSRO has maintained audit-assured, high quality, efficient and effective systems of procurement, financial management and governance. Following our annual review of governance and scrutiny arrangements, a number of changes designed to improve oversight and decision-making have been introduced this year (detailed in our Governance Statement on page 33).

Modern and secure information technology underpins our business and we continuously strive with selected partners to fully utilise available technology, exploit new developments, and manage information risks. We maintain relevant and appropriate security certifications and accreditations, and require that these are also in place for our suppliers.



## Financial performance during the year

This section provides a summary of the SSRO's financial performance during the 2017/18 year. It gives an explanation of grant funding received by the SSRO and how it was utilised.

The SSRO agreed grant in aid funding totalling £5,780,000 for 2017/18 to cover planned expenditure (Note 10 provides details on the cash drawdown). The SSRO's expenditure mainly relates to recurring commitments with the majority of its spend covering staff and staff-related costs.

During 2017/18 the SSRO also incurred one off costs as it developed the Defence Contracts Analysis and Reporting System. In March 2018, the SSRO also received £1,640,000 from the MOD, earlier than requested, as part-payment of its 2018/19 grant in aid funding.

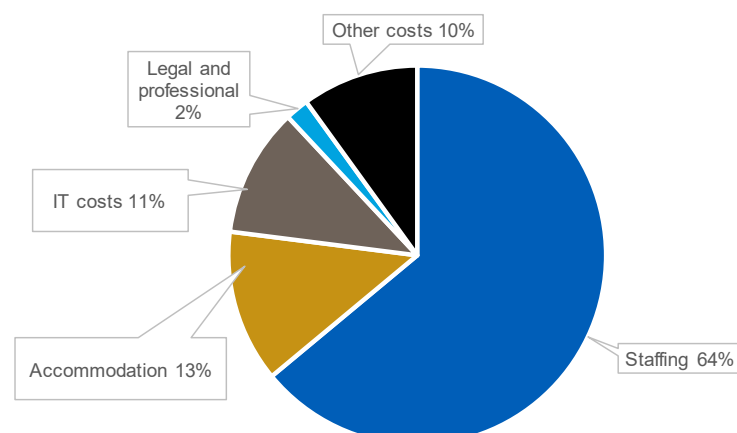
The SSRO continues to seek value for money in its day-to-day operations to support the delivery of its statutory obligations. The SSRO has managed the best use of its financial resources through utilising out-sourcing opportunities to supplement in-house skills in back office functions such as finance and human resources.

The SSRO also has several framework contracts in place (using government support framework contracts wherever possible) which allows proven, cost-effective access to additional expert support when needed.

	£000
<b>Expenditure per Statement of Comprehensive Income</b>	<b>5,916</b>
Expenditure capitalised during the year (included in the Statement of Financial Position)	142
Less costs not included within the 2017/18 grant in aid budget	
Amortisation and depreciation	(195)
Dilapidations	(158)
Referrals costs	(8)
<b>Total grant in aid expenditure</b>	<b>5,697</b>

The outturn expenditure of £5,697,000 (2016/17: £5,648,000) represents utilisation of 99 per cent of the total available grant in aid funding provided by the MOD (2016/17 98%). This excludes provisions of £158,000 (2016/17: nil).

### SSRO expenditure by category 2017/18



Apart from staff and staff-related costs which are 64% of the SSRO's expenditure (2016/17 66%), other significant areas of expenditure include accommodation and IT costs.



During 2017/18, the SSRO included provision for accommodation dilapidations (the estimated cost to repair or reinstate the third floor, Finlaison House to the satisfaction of the landlord at the end of the agreed occupation/lease term in 2023). Funding for this expenditure will be provided in the year the costs are realised (expected 2023/24).

Expenditure on referrals is funded separately when these costs arise. The MOD provides additional grant in aid for all demand-led, referral related expenditure as it is required based on the submission of details of actual costs incurred. During the 2017/18 year, expenditure of £8,000 (2016/17: £59,000) was incurred and reimbursed.

Looking ahead, the financial priorities over the next year will be the continued delivery of value for money in the provision of our statutory functions and maintaining our performance against our agreed financial performance targets.

#### Creditor payments, target and performance

The SSRO aims to pay 80 per cent of undisputed invoices within 5 days. During 2017/18 the SSRO paid 99 per cent of undisputed invoices within 5 days (2016/17: 98 per cent). In line with the government's and the SSRO's commitment to transparency, the SSRO continued to publish its transparency reporting within the specified timescales during 2017/18.

#### Explanation of adoption of going concern basis

In preparing these resource accounts, the SSRO has adopted the Government Financial Reporting Manual issued by HM Treasury, and in particular has:

- observed the relevant accounting and disclosure requirements, and applied suitable accounting policies on a consistent basis;
- made judgements and estimates on a reasonable basis;
- stated whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed and disclosed and explained any material departures in the resource accounts; and
- prepared the resource accounts on a going concern basis, as set out in Note 1.3 of the SSRO's financial statements.

The SSRO Board is content that the going concern basis still applies as both expenditure and the cash flow are carefully monitored to reduce these risks.

The SSRO has ongoing funding from the MOD.

Neil Swift  
Interim Accounting Officer  
28 June 2018





# Accountability report





# **Corporate Governance Report**

Directors report

Statement of responsibilities

Governance statement

## **Remuneration and staff report**

## **Parliamentary accountability and audit report**

# Corporate governance report

## Directors report

### Our Board members during the year of review

The commentary relating to the Board reflects their activities during the year ending 31 March 2018.



**George Jenkins OBE**  
Chairman

George Jenkins OBE was appointed as Chairman of the SSRO on 1 January 2017. He is currently the chairman of the Professional Standards Authority which has oversight of nine regulators and 24 Accredited Registers who regulate over 1.25 million health and care professionals such as doctors, nurses and paramedics.

Mr Jenkins' career has been in global logistics and manufacturing. In June 2016 he completed his term as the Chairman of the Port of Dover. He has been Chair of the Cystic Fibrosis Trust for five years and previously was Chair of Governance and Audit of NHS Blood and Transplant and Chair of South London Healthcare NHS Trust. He was recognised for his work in healthcare with the appointment to OBE in 2010.



**Mary Davies**  
Non-executive member

Mary Davies was appointed as a non-executive member of the Board in September 2017 and is also a member of the Audit Committee.

Mary is Chair of Breast Cancer UK (BCUK) and is also Chair of BCUK's Personnel Committee and member of the Science and Finance Committees.

She is a senior economist with over 25 years' experience planning, undertaking and delivering high quality economic advice on competition, regulatory and consumer issues in the public sector. Mary was also a senior team leader volunteer for Pro Bono Economics (2012-2016) undertaking impact evaluations for the Institute of Fundraising and St Giles' Trust.



**Peter Freeman CBE**  
Non-executive member

Peter Freeman CBE, QC (hon) was appointed as a non-executive member in September 2017. He is the chair of the SSRO's Regulatory Committee.

He is a Chairman of the UK Competition Appeal Tribunal and a member of the Competition Service board.

From 2011-2013 he was Senior Consultant to the international law firm Cleary Gottlieb Steen & Hamilton. From 2005-2011 he was Chairman of the UK Competition Commission, having been a Deputy Chairman since 2003. Prior to that he practised for 30 years at the international law firm Simmons & Simmons, 25 of them as a partner, managing the Commercial Department and heading the EC and Competition Law practice group.



**Terence Jagger CBE**  
Non-executive member

Terence Jagger CBE was appointed as a non-executive member in January 2017. He is the SSRO's lead member on referrals and a member of the Regulatory Committee.

He is currently Chair of Bath Spa university, a non-executive director at the London Pensions Fund Authority and the Marine Management Organisation, a trustee of Tree Aid, a member of ACOBA, and an advisor to Inmarsat.

He was most recently Chief Executive of Crown Agents, and had a 16-year career with MOD, during which he was Command Secretary RAF Air Command, Director Financial Management, led the privatisation of the Defence Evaluation and Research Agency at QinetiQ, and served as political adviser to the NATO commander in Afghanistan.



**David Johnston**  
Non-executive member

David Johnston was appointed as a non-executive member in June 2016. He is a member of the SSRO's Audit Committee.

David is a Director of the Engage Enrich Excel Academies Trust where he also Chairs the Audit and Risk Committee and is a member of the Strategy and Growth Committee.

David has a track record of leadership roles in strategy, M&A, finance, change management and procurement at FTSE 250 executive team level. He is a Fellow of the Chartered Institute of Management Accountants and holds an MBA from the University of Surrey.



**Marta Phillips OBE**  
Non-executive member

Marta Phillips OBE was appointed as a non-executive member in September 2014. She chairs the SSRO's Audit Committee and also serves on the Regulatory Committee.

She holds many other non-executive roles, mainly in the government and education sectors. She has also been a member of the Council of the Institute of Chartered Accountants of Scotland and served on a number of Boards.

She was awarded an OBE in January 2006.



## Our current executive members



**Neil Swift**  
Chief Executive

Neil joined the SSRO in April 2015 and was appointed as Interim Accounting Officer on 5 June 2017, Interim Chief Executive on 1 July 2017 and Chief Executive on 16 May 2018.

Neil started his career as an engineer before changing direction to train as an accountant with KPMG. After a move to the public sector, he worked in roles across the public sector including as Deputy Director of Finance at a large NHS Trust in London and Associate Controller Corporate Resources at the Audit Commission.

As Chief Executive, Neil is responsible for the effective executive leadership and management of the SSRO and for meeting its statutory functions and contractual obligations. In meeting these responsibilities he ensures propriety and regularity in the handling of the public funds received by the SSRO.



**David Galpin**  
Director of Legal and Policy

David was appointed Director of Legal and Policy in March 2018 having joined the SSRO as Head of Legal in September 2015.

David is a lawyer who first qualified in Australia where he developed expertise in public law and environmental law and regulation before commencing practice at the Bar in Sydney. As a barrister, David's practice included commercial disputes and a range of public law work. He subsequently qualified as a solicitor in the United Kingdom where he worked extensively in local government, dealing with dispute resolution, governance and non-contentious matters, including the procurement of public contracts. David is particularly interested in public procurement and holds a Master of Laws degree in Public Procurement Law and Policy.



**Matthew Rees**  
Director of Regulation and Economics

Matthew was appointed Director of Analysis and Reporting in March 2016, and became Executive Director of Regulation and Economics in May 2017.

Matthew began his career at KPMG audit, qualified as a Chartered Accountant and then specialised in business valuations. He moved to investment banking, working for the technology, media and telecom teams of Merrill Lynch, Deutsche Bank and JPMorgan. In his public sector career Matthew advised the UK Competition Commission in relation to merger and market investigations, economic regulation cases, and divestiture remedies. He joined the National Audit Office in 2014 and established a new corporate finance team focusing on value for money reviews of privatisations, asset sales and infrastructure financing. Matthew is also the senior independent non-executive director and deputy chairman of Gemserv Limited.

## Other executive members in 2017/18



### **Ian McPherson OBE**

Director of Investigations to May 2017

Ian was appointed as Director of Compliance and Investigations in March 2016, having been seconded to the SSRO from accounting firm BDO as Defence Advisor in October 2014.

Ian began his career in the British Army as a logistician, serving across the globe including 7 operational tours of duty. He has commanded at both Squadron and Regimental level and undertook staff appointments in Brigade, Divisional, Corps HQ's and at the MOD as well as operational tours with both the US and French Army. Ian is a guest lecturer in smart procurement at the Defence Academy and was awarded the BEM in 1981 and made an OBE in 1999.



### **Marcine Waterman**

Chief Executive to October 2017

Marcine worked for over 20 years at the UK's Audit Commission in a range of high profile roles including leading the largest and most complex outsourcing procurement the Commission engaged in, and culminating in her appointment as Controller of Audit (Chief Executive). In this role she oversaw the successful closure of the organisation in March 2015, before being appointed as the first Chief Executive of the Single Source Regulations Office.

## Board appointment dates

	Start date	End date
<b>Non-Executive Directors</b>		
George Jenkins	03/01/17	02/01/20
Mary Davies	06/09/17	05/09/20
Peter Freeman	06/09/17	05/09/20
Terence Jagger <sup>[1]</sup>	08/06/15	21/01/20
David Johnston	01/06/16	31/05/19
Marta Phillips	29/09/14	28/09/20
<b>Executive Directors</b>		
Neil Swift <sup>[2]</sup> Chief Executive	20/04/15	-
David Galpin Director of Legal and Policy	20/03/18	-
Ian McPherson Director of Investigations	01/03/16	1/05/17
Matthew Rees Director of Regulation and Economics	14/03/16	-
Marcine Waterman Chief Executive	01/04/15	24/10/17

[1] Terence Jagger was appointed as a Referral Panel Member on 8 June 2015, and subsequently appointed as a Non-Executive Director on 22 January 2017.

[2] Neil Swift was appointed as Director of Corporate Resources on 20 April 2015, and subsequently appointed as Interim Chief Executive on 1 July 2017. He was appointed Chief Executive on 16 May 2018.

## Board personnel declared interests

The following disclosures relate to the activities of the Chair and members during the currency of their appointments in the year. The disclosures arise where a Board member has been in a position of influence resulting from election to, receiving remuneration from, or appointment to any organisation:

- that is a central government body; and
- that falls under the SSRO's statutory functions or is a provider or receiver of significant services to or from the SSRO.

### Non-Executive Directors

George Jenkins OBE - Chair

- Chairman of the Medway Dock Labour Board

Mary Davies

- None declared

Peter Freeman

- Chairman of Competition Appeal Tribunal, Ministry of Justice
- Chair of HFEA Appeals Committee, Department of Health

Terence Jagger

- Member of Advisory Committee On Business Appointments (ACOBA)
- Non-executive director of the Marine Management Organisation (MMO)

David Johnston

- None declared

Marta Phillips

- Audit Committee member of the Crown Prosecution Service

### Executive Directors

Neil Swift

- None declared

David Galpin

- None declared

Matthew Rees

- None declared

[1] There were no declared interests for those members of the Executive Committee who temporarily served during the year.



## Statement of responsibilities

### Board members' responsibilities

The SSRO's Corporate Governance Framework sets out that the Board is responsible for:

- the discharge of the SSRO's functions;
- providing strategic leadership, direction, support and guidance, and overseeing the development and implementation of strategies, plans and priorities for the SSRO, including approval of the Corporate Plan and oversight of its implementation;
- overseeing the development and review of the SSRO's aims and corporate objectives;
- allocating within the SSRO the budget that has been agreed by the MOD, ensuring that the SSRO uses resources efficiently and achieves value for money;
- monitoring the SSRO's performance and work, and ensuring that it receives and reviews regular financial and performance information concerning the management of the SSRO; is informed in a timely manner about any concerns about the activities of the SSRO; and provides positive assurance to the MOD that appropriate action has been taken on such concerns;
- observing high standards of corporate governance at all times, including by using the independent Audit Committee to help the Board to address key financial and other risks;
- putting in place effective arrangements to provide assurance on risk management, governance and internal control;
- ensuring that the SSRO operates within its statutory remit and the limits of its statutory authority and any delegated authority agreed with the MOD, and in accordance with any other conditions relating to the use of public funds;
- satisfying itself that plans are in place for orderly succession for appointments to the Board so as to maintain an appropriate balance of skills and expertise and ensure progressive refreshing of the Board;
- ensuring that the Department is kept informed of any changes that are likely to impact on the strategic direction of the SSRO; the attainability of its targets; any concerns about the activities of the SSRO; and determining the steps needed to deal with such changes; and
- ensuring that, in reaching decisions, the Board takes into account legislation and guidance issued by the MOD.

The Board regulates its own proceedings, and has approved Standing Orders for that purpose.

On behalf of the Board, the Audit Committee reviews and challenges the SSRO's internal control systems; assessment and management of risk; financial, accounting and tax policies, practices and processes; information management policies; and arrangements for controlling and reporting expenditure.

The Board may choose to delegate to the Chief Executive specific matters that would otherwise be reserved to the Board. The matters that are delegated to the Chief Executive are set out in the SSRO's Corporate Governance Framework.

## Statement of Accounting Officer's responsibilities

Under Schedule 4 (paragraph 12) of the Defence Reform Act 2014, the Secretary of State has directed the Single Source Regulations Office to prepare for each financial year a statement of accounts in the form of and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Single Source Regulations Office 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 is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Secretary of State, 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 accounts; and
- prepare the accounts on a going concern basis.

The Accounting Officer of the Ministry of Defence designated the Chief Executive as Accounting Officer of the Single Source Regulations Office. The Chief Executive was the Accounting Officer during the reporting year 2017/18. On 5 June 2017 the Chief Operating Officer was appointed by the Ministry of Defence as Interim Accounting Officer for the Single Source Regulations Office and he is responsible for authorising the accounts. 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 Single Source Regulations Office's assets, are set out in Managing Public Money published by HM Treasury.

The Accounting Officer confirms that the annual report and accounts as a whole is fair, balanced and understandable and that he takes personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

### Our auditor's details

The financial statements are audited by the Comptroller and Auditor General. He has not provided any other service to the SSRO during the year. The audit fee is disclosed in note 3.

The Chief Executive confirms that:

- there is no relevant information of which the auditors are unaware;
- he has taken all the steps he ought to ensure that he is aware of all relevant audit information; and
- he has taken all the steps he ought to ensure that the Comptroller and Auditor General is aware of all relevant audit information.

## Governance statement

### Background to events in 2017/18

During 2017/18, the SSRO has:

- delivered its statutory functions, and in doing so sought to balance its aims of ensuring that good value for money for the taxpayer is obtained in government expenditure on qualifying defence contracts; and that persons who are parties to qualifying defence contracts are paid a fair and reasonable price under those contracts.
- observed all necessary governance policies and procedures to enable the Board to make robust, evidence based decisions in line with best practice;
- appointed two new non-executive members to the Board, and reappointed one non-executive member for a second term of appointment; and
- commenced the recruitment exercise for a permanent Chief Executive and appointed a Director of Legal and Policy.

I was appointed as the Interim Accounting Officer of the SSRO on 5 June 2017. The SSRO Board operated effectively and independently during the year using sub-committees to further the Board's strategic and oversight roles.

The Performance Report section of this document describe events in 2017/18 in more detail.

### Scope of responsibility

As Interim Accounting Officer, I am responsible for upholding sound internal controls that support the SSRO's policies and objectives. The internal controls safeguard the public funds and assets for which I am personally responsible under Managing Public Money.

## The purpose of the governance statement

The governance statement, for which I as Interim Accounting Officer take personal responsibility, is intended to provide a clear understanding of the SSRO's business and its control structure. It sets out the stewardship arrangements for the SSRO and supplements the accounts and annual report, together providing a record of how the SSRO has performed in its third full year of existence.

This statement also explains how the SSRO has complied with good governance principles and reviews the effectiveness of these arrangements.

### SSRO's structure and governance framework

The SSRO's governance framework and arrangements for internal control are designed to manage risk to an acceptable level, rather than eliminate all risk of failure; to fulfil our statutory obligations, and the SSRO's own policies, aims and objectives. The governance documents and others referred to in this section are all available on the SSRO's website, together with the agenda and minutes of all Board meetings.

As an executive Non-Departmental Public Body, the SSRO operates under a Framework Document agreed between the SSRO and its sponsor, the MOD. As required by the Framework Document, the Board completed its third annual review of the Corporate Governance Framework in December 2017, drawing on best practice from government issued guidance such as HM Treasury, Audit and Risk Assurance Committee handbook (amended 2016) and Committee on Standards in Public Life's Striking the Balance report (2016).

The SSRO's Corporate Governance Framework is aligned with and supports the strategic aims of the SSRO as set out in the Framework Document between the MOD and SSRO. The document codifies the Board's commitment to strong corporate governance being central to the effective direction and control of the organisation, and delivery of its statutory role and strategic objectives. It sets out the organisation's arrangements and processes for governance including the role of the Chairman, Board, Committees and Chief Executive; the powers exercised by the Board or delegated to the Chief Executive; and standing orders that establish the procedural framework within which the SSRO discharges its business.



The SSRO Board has approved a set of policies and procedures to ensure the robust governance of the SSRO. These include the following which are published on our website:

- A Code of Conduct for Board members and external panel members, including a public register of interests.
- A Complaints Policy. In line with good practice, we also report to every Board meeting the number of complaints received within the year.
- A Gifts and Hospitality policy, including a register of gifts and hospitality.
- A Whistleblowing Policy.

During the year, the SSRO received three disclosures under its Whistleblowing Policy. However, in all three cases the matter fell outside of the SSRO's remit. Where the whistleblower gave us permission to do so, we forwarded the information to the relevant organisation.

We have established robust risk control processes, which are considered regularly by the Executive Committee, Audit Committee and Board. Further information on our risk mitigation is set out below.

At no time has any part of the SSRO's system of internal control failed or been suspended.

The SSRO's governance arrangements are overseen by its Board. Responsibility for non-executive Board member appointments rests with the Secretary of State.

The Board currently consists of a Chairman, five non-executive members and three executive members.

The non-executive members of the Board are George Jenkins, Marta Phillips, David Johnston, Terence Jagger, Mary Davies and Peter Freeman. Mary Davies and Peter Freeman were appointed to the Board in September 2017.

The Board discussed and agreed an amended Executive Committee structure in December 2017 moving to four members of the Executive sitting on the Board: the Chief Executive, the Chief Operating Officer, the Director of Legal and Policy, and the Director of Regulation and Economics. Three executive members are currently in post: Neil Swift (Chief Executive and previously Chief Operating Officer), David Galpin and Matthew Rees.

## The SSRO Board

The Corporate Governance Framework describes the Board's responsibilities, as well as the individual responsibilities of the Chairman and other Board members, distinguishing between non-executive and executive members where necessary. The document sets out the Board's authority to appoint committees and determine their procedure, and the Board's role concerning the corporate and business plans, internal audit, the Annual Report and Accounts, external audit and value for money examinations.

During 2017/18 the Board considered and approved:

- all decisions relating to the SSRO's statutory functions;
- the Annual Report and Accounts 2016/17;
- the Corporate Plan 2018-2021;
- the annual review of the Board's effectiveness;
- the annual review of the Corporate Governance Framework and Code of Conduct for Board members and external panel members (both of which are published on the SSRO website);
- regular financial and performance updates on how the organisation is delivering against its budget and key performance objectives;
- the annual budget for 2018/19; and
- the minutes of all Board and Committee meetings.

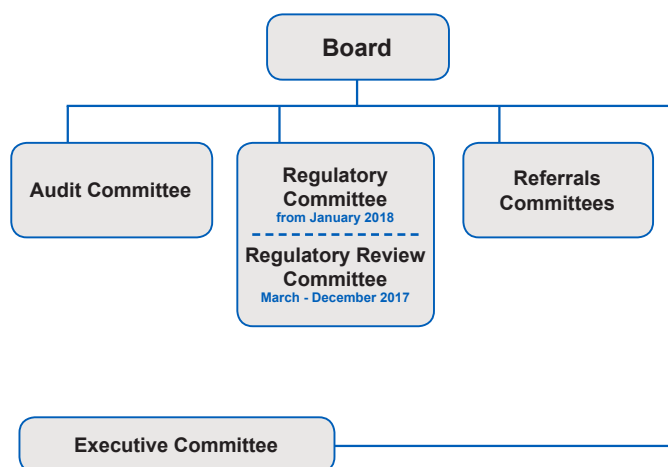
Board members attended a meeting of the SSRO's Senior Stakeholder Forum, which is an opportunity for the SSRO to engage with senior representatives from the main prime defence contractors and the MOD. Board members also attended training on defence procurement at Shrivenham Defence Academy.

The SSRO carried out its third annual review of the Board's effectiveness as required by the SSRO's Corporate Governance Framework. The review was led by the SSRO Chairman, George Jenkins. In line with good practice and our Corporate Governance Framework, independent input is sought for the annual review at least once every three years. This year the Chairman received independent input from the Government Internal Audit Agency (GIAA).

Individual appraisals incorporating feedback by other executive and non-executive Board members were completed for all Board members, and the Chairman held individual meetings with all members to assess the operation of the Board as a whole including any committees and advisory groups. The review also considered provisions within the Corporate Governance Framework and the Framework Document as well as the recommendations in the Audit Committee's report to the Board on the Committee's own effectiveness.

The report found that the SSRO Board is operating effectively and independently and that there are robust policies and procedures in place to ensure its effective governance, risk management, independence and decision making.

In 2017/18, the Board and its sub-committee structure was as follows:



In 2017/18, Board members attended the following meetings of the Board and its sub-committees (of the total meetings which could have been attended):

	Board	Audit Committee	Regulatory Review Committee	Regulatory Committee	Referrals Committee
<b>Chairman</b>					
George Jenkins	6/6	n/a	2/2	n/a	n/a
<b>Non-Executive Directors</b>					
Marta Phillips	6/6	4/4	2/2	1/1	n/a
David Johnston	6/6	4/4	n/a	n/a	3/3
Terence Jagger	5/6	3/3	n/a	1/1	3/3
Mary Davies <sup>[1]</sup>	3/3	1/1	n/a	n/a	n/a
Peter Freeman <sup>[2]</sup>	3/3	n/a	n/a	1/1	n/a
<b>Executive Directors</b>					
Neil Swift	6/6	n/a	n/a	n/a	n/a
Matthew Rees	6/6	n/a	n/a	n/a	n/a
David Galpin <sup>[3]</sup>	1/1	n/a	n/a	n/a	n/a
Ian McPherson <sup>[4]</sup>	1/1	n/a	n/a	n/a	n/a
Marcine Waterman <sup>[5]</sup>	1/1	n/a	n/a	n/a	n/a

<sup>[1]</sup> Mary Davies was appointed to the SSRO Board on 6 September 2017

<sup>[2]</sup> Peter Freeman was appointed to the SSRO Board on 6 September 2017

<sup>[3]</sup> David Galpin was appointed as an Executive Member of the Board on 20 March 2018

<sup>[4]</sup> Ian McPherson stepped down as a Board member in May 2017

<sup>[5]</sup> Marcine Waterman left the SSRO on 24 October 2017



## The Audit Committee

The SSRO Audit Committee meets at least four times a year. The Committee's quorum is two non-executive members. The Committee is chaired by a non-executive member.

The Audit Committee provides scrutiny, oversight and assurance of risk management, information management, internal control and governance procedures to the Chief Executive, as Accounting Officer, and to the Board. The Audit Committee terms of reference can be found in our [Corporate Governance Framework](#).

The Audit Committee presents the minutes of its meetings to the Board as soon as possible after each meeting. The Audit Committee makes recommendations to the Board as it considers appropriate.

The Audit Committee last reviewed its terms of reference to ensure they were fit for purpose in December 2017 and will continue to do so on an annual basis.

During 2017/18 the Audit Committee was chaired by Marta Phillips, with David Johnston and Terence Jagger as the other non-executive members until 23 January 2018. From that date, the Audit Committee membership was Marta Phillips (Chair), Mary Davies and David Johnston. The Committee met four times during 2017/18.

## The Referrals Committees

The Act requires that several of the SSRO's functions, listed in Schedule 4, Section 10(3), must be exercised by a committee. The Act further states that such Committees must consist of three persons and at least one of the members must be a person who is not a member or employee of the SSRO. The terms of reference for Referrals Committees were last reviewed to ensure they were fit for purpose in December 2017 and will continue to be reviewed on an annual basis.

During 2017/18 the SSRO accepted one referral (2016/17 three referrals). The committee established to consider this matter was chaired by Terence Jagger, with David Johnston the second non-executive member. In line with the Act, following acceptance of this referral and consideration of any potential conflicts of interests in relation to the specific issue, the independent member appointed to the committee for the duration of the referral in question was Christine Fraser. The committee met three times during 2017/18 to consider the referral.

As part of the refinement of the SSRO's committee structure following our annual internal governance and scrutiny review, from 23 January 2018, Terence Jagger was appointed as the lead member for referrals. He and other committee members are appointed to individual referrals on a case-by-case basis.

The terms of reference can be found in our [Corporate Governance Framework](#).



## The Regulatory Review Committee (to January 2018)

On behalf of the Board, the Regulatory Review Committee provided oversight and scrutiny to enable the SSRO to carry out its statutory functions.

The Committee met twice in 2017/18 and acted as the project board for projects relating to:

- the review of the Defence Reform Act and single source contract regulations;
- the review of statutory guidance on reporting, Allowable Costs, and the determination of penalty amounts and the Defined Pricing Structure; and
- the review and oversight of the Defence Contracts Analysis and Reporting System (DefCARS).

The Regulatory Review Committee was chaired by George Jenkins with Marta Phillips as the second non-executive member.

## The Regulatory Committee (from January 2018)

Following the SSRO's annual governance and scrutiny review in December 2017, the Board established the Regulatory Committee to replace the Regulatory Review Committee. This committee has a wider scope than its predecessor.

The Regulatory Committee met once in 2017/18. Peter Freeman was appointed as Chair of the Committee. Marta Phillips and Terence Jagger (who chaired the Committee's first meeting in March 2018) are members of the Committee. Terence Jagger is lead member for referrals as well as a member of the Regulatory Committee, ensuring links between both the committees' work. The terms of reference for the Regulatory Committee were agreed by the Board in December 2017 and can be found in our [Corporate Governance Framework](#).

## The Executive Committee

The Executive Committee is responsible for the day-to-day management of the SSRO, and assists me in the performance of my duties.

The Executive Committee was established in May 2015. The Committee's Executive Scheme of Delegation was prepared in accordance with the SSRO's Framework Document and Corporate Governance Framework. The Scheme was reviewed in February 2018 and should be read in conjunction with Part 4 of the Corporate Governance Framework, which reserves certain matters for the Board.

During 2017/18, the Committee met monthly. I chair the Executive Committee, whose other members are the Director of Regulation and Economics and, from November 2017, the Director of Legal and Policy and interim Director of Corporate Resources.

## Risks and internal controls

Internal controls aim to reduce risk, not remove it. The SSRO gains assurance that risks are mitigated by ensuring controls are robust in design and work as intended.

The principal features of the system of internal control in place throughout the year are:

- an organisational structure that supports clear lines of communication, monitoring, reporting and accountability;
- plans, objectives and priorities, which take account of risk and are approved by the Board; and
- a corporate risk management policy approved annually by the Audit Committee.

The SSRO's risk management policy provides for a corporate risk register (CRR) to be maintained and reviewed regularly by the Executive Committee and Audit Committee.

## Risk management

The SSRO's Corporate Governance Framework states that it is the Board's responsibility to put in place "effective arrangements to provide assurance on risk management, governance and internal control" and that "The Audit Committee will have responsibility for the independent review of the risk management system", whilst reporting to the Board on the SSRO's risk management arrangements. The Chief Executive's responsibility is to put in place appropriate arrangements for risk management, which are overseen by the Board and Audit Committee.

The SSRO's risk management arrangements are proportionate to the scale of the organisation; there is a single CRR, containing between 5 and 15 risks at any point. Executive Committee members manage the individual risks to their functions and only include risks in the CRR if they are significant.

The Audit Committee considers the CRR at each meeting.

The SSRO's tolerance of risk is low for the majority of risks, with a medium appetite for business continuity and reputational risks, and a high-risk appetite for environmental risks, in recognition that we accept some degree of risk despite proportionate mitigation.

The Executive Committee considers for each risk the reputational implications for the SSRO if it was realised. Risk tolerance is also considered by the Audit Committee at each meeting, and reported to the SSRO Board by the Chair of the Committee.

Risk management is an integral part of the SSRO's internal control framework. For example:

- All papers to SSRO committees include the requirement for a consideration of risks related to the issue, and proposed mitigating actions.
- The Executive Committee monitors operating risks through ongoing performance management, which it reports to the Board. If significant new risks are flagged in the monthly Corporate Performance Report, which is submitted to Board and Executive Committee meetings, they are escalated for consideration, and where there is corporate impact, may be subsequently included in the CRR.
- Major projects within the SSRO have an 'oversight board' at executive level, which each maintain risk registers and can escalate risks through to the CRR.
- The SSRO complies with the requirement for information risks to be managed through a Senior Information Risk Owner (SIRO), currently the Director of Corporate Resources.

- Information and cyber risks are actively managed on an ongoing basis drawing on expert external support. DefCARS is subject to formal risk assessment and treatment with independent external appropriately qualified input and review.

Our internal auditors, the Government Internal Audit Agency (GIAA), will review how risks are managed, via a programme of work designed to assess the specific risks and assurance requirements of the SSRO, and focused on areas of risk identified by management. In delivering this programme of work GIAA will consider the effectiveness of risk management, including consideration of whether risk management is undertaken in line with the SSRO's risk management policy and procedures.

The Director of Corporate Resources is the Senior Information Risk Officer and Executive Committee member responsible for the SSRO's overall risk management arrangements and for reporting on risk to the Executive Committee meetings.

### **Financial management**

The SSRO has effective controls in place to forecast, manage and report on its expenditure. When agreeing the 2017-20 Corporate Plan, the Board also agreed a budget for 2017/18.

The Board considers the SSRO's performance and progress against its Corporate Plan and budget. A review of management accounts is completed each month and financial performance reported to the Board at each meeting. The SSRO prepares and analyses key financial information by regularly liaising with key areas of the organisation to ensure that the Executive Committee is able to make well informed decisions.

The SSRO delivers value for money through having robust internal financial controls. The SSRO approves all spending before supply, with all expenditure over £10,000 requiring approval of the Chief Executive. The Board delegates to the Chief Executive the ability to approve contracts valued below the EU threshold applicable to supply, services and design contracts for sub-central contracting authorities (including the SSRO) and within the SSRO's approved budget. All details of spending over £25,000 is published on its website. The SSRO receives grant in aid from the MOD.

The use of this grant is fully documented and is monitored throughout the year.

## How we evaluate internal controls

### The SSRO Audit Committee

The role of the Audit Committee is set out above.

### Internal audit

During 2017/18 internal audit has been provided by GIAA, which reports its independent opinion on the adequacy and effectiveness of the SSRO's system of internal control and makes recommendations for improvement. The SSRO also encourages and supports liaison between internal and external audit to achieve a more effective audit, based on a clear understanding of respective roles and requirements.

During the year, four audit assignments were completed and final reports issued on:

- data quality;
- contract management;
- review of financial controls; and
- governance.

GIAA presented a summary of the work of internal audit to the Audit Committee at its March 2018 meeting, where the Committee also approved an internal audit programme for 2018/19. A substantial assurance Head of Internal Audit Opinion was issued in June 2018.

GIAA attends all Audit Committee meetings and has direct access to me and to the Chair of the Audit Committee. GIAA is afforded the opportunity for a private session with the Audit Committee members at least once a year.

### External audit

The external auditor, the Comptroller and Auditor General, is appointed by statute. The NAO comments in its annual management letter on governance and controls issues arising from the external audit of the SSRO's financial statements.

A representative of the external auditor is invited to, and attends, all Audit Committee meetings and has direct access to me, to GIAA and to the Chair of the Audit Committee. The external auditor is afforded the opportunity for a private session with the Audit Committee at least once a year.

The NAO published a value for money report on 25 October 2017 entitled *Improving value for money in non-competitive procurement of defence equipment*. Among the issues considered in the report was whether the MOD had strengthened its oversight of non-competitive procurement. The SSRO contributed evidence to the report and welcomed its recommendations.

### Quality assurance over business critical models

I am required to include confirmation that an appropriate quality assurance framework is in place and is used for all business critical models. As part of our project delivery assurance processes, separate independent assurance at key stages of any project will be requested from either the contractor or via an external provider (for example GIAA). There were no projects requiring such assurance during the period.

## Information assurance

The SSRO's Interim Director of Corporate Resources is the Senior Information Risk Owner, supported by the Departmental Security Officer (HR Manager) and the IT Security Officer (Head of IT and Information Management).

The SSRO is a data controller under the Data Protection Act 1998 and is subject to the Freedom of Information Act 2000 and meets these and other relevant regulatory and legal requirements. The SSRO pays regard to the requirements set out in the HMG Security Policy Framework and follows policy and guidance issued by the National Cyber Security Centre (NCSC), Cabinet Office and the Ministry of Defence.

The SSRO IT Strategy makes use of shared services and infrastructure where appropriate, in line with Cabinet Office guidance for government IT, and was reviewed in 2017/18 to ensure ongoing compliance with relevant guidelines and requirements.

In accordance with the IT Strategy, the SSRO procures off the shelf and specialist systems, services and expertise, such as using relevant government frameworks and procurement advice.

The SSRO has maintained Cyber Essentials Plus certification since March 2016 and our information management policies and procedures are based on and checked against ISO 27001, the information security standard.

All staff are required to annually complete the Civil Service Learning 'Responsible for Information' training appropriate for their role and are provided with training on the Government Security Classifications, and the SSRO Information Classifications and Handling Policy. An IT Acceptable Use Policy has been issued to all staff.

In parallel with control actions in respect of the SSRO's corporate infrastructure, full security accreditation was received and is being maintained on DefCARS (Defence Contract and Reporting System) for which the SSRO is the Data Controller providing assurance to external stakeholders on the safe collection, storage, handling and analysis of commercially-sensitive data.

Security breaches and near misses are reported to the Executive Committee and the Audit Committee with individual breaches considered and escalated as appropriate, dependent on their seriousness. During the reporting period there were no breaches identified which required the SSRO to inform or escalate a matter to the Information Commissioner's Office.

## Significant control issues

Despite challenges during the year, no significant control issues arose during 2017/18 that need reporting in the Governance Statement. The National Audit Office and internal audit has not raised any issues of significance in their Management Letter for 2017/18.

As part of the review of effectiveness, I am required to disclose any actions taken or proposed to deal with significant control issues. Taking into account the tests in Managing Public Money, external audit and value-for-money reports I can confirm that the SSRO has not had any significant control issues during 2017/18 and currently has no significant weaknesses to address.

The SSRO has upheld internal controls during the year through risk management and other sources of assurance, including internal audit. I therefore believe there are satisfactory controls in place to identify and manage the significant risks faced by the SSRO.

## Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the SSRO's internal controls. My review of the control framework is informed by the work of the internal auditors and the senior managers of the SSRO, who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their Management Letter and other reports.

During the course of the year, I gained assurance of the SSRO's controls from my role as Chief Operating Officer and, from 1 July 2017, Interim Chief Executive. In performing these roles I attended all Executive Committee, Audit Committee and Board meetings during the reporting year. I have met with internal and external auditors throughout the year and reviewed their audit reports. My knowledge of the organisation provides me with assurance of the SSRO's internal controls and informs my approval of this statement.





# Remuneration and staff report

## Remuneration policy

For the Chief Executive, remuneration is set by the SSRO Board. The appointment of the Chief Executive was approved by the Minister for Defence Procurement. The Interim Chief Executive was appointed by the Board on 1 July 2017.

For the Executive Directors, remuneration is set by the Chief Executive, in line with the SSRO's terms and conditions of employment. All arrangements comply with current government guidance on public sector pay.

## Salary and pension entitlements

The following sections provide remuneration and pension details of the SSRO during 2017/18, and have been subject to external audit.

### Salary

Salary includes gross salary and any other allowances to the extent that they are subject to UK taxation. This report is based on accrued payments made by the organisation and thus recorded in these accounts.

The Chief Executive and Interim Chief Executive's remuneration packages were agreed by the SSRO Board.

The Executive Committee structure was agreed by the Board. Appointments were made by the SSRO Board, in line with the SSRO's terms and conditions of service, and approved by the Minister for Defence Procurement.

### Benefits in kind

The definition and monetary value of benefits in kind covers any benefits provided by the organisation and treated by HM Revenue and Customs as a taxable emolument.

All employees are eligible for a travel card for travel within London.

## Performance related pay

Members of the Executive Committee and other senior staff are eligible for an annual performance related payment, which is calculated as a percentage of salary based on the individual's performance as assessed through the appraisal process. Other staff are eligible for one-off performance related payments which are assessed on individual work performance during the year.

No element of a performance payment is pensionable. The performance payments reported relate to performance in 2017/18.

## Pension

The Chief Executive, Executive Directors and employees are all auto-enrolled into the Civil Service Pension Scheme. This scheme conforms to the requirements of auto-enrolment and is a defined benefit scheme, with the same level of benefits for all members. Contribution rates vary according to salary.

## Other terms of employment

The Chief Executive and Executive Directors all have permanent employment contracts. The Chief Executive and Executive Directors are required to give three months' notice if they resign.

All other terms and conditions are the same as for other staff.

## Total remuneration and pension entitlements for the Executive Committee (audited)

Executive Committee remuneration										
	Salary		Bonus payments		Benefits in kind (to nearest £100)		Pension benefits		Total Remuneration	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
	£000	£000	£000	£000			£000	£000	£000	£000
<b>Interim Chief Executive</b>										
Neil Swift <sup>[1]</sup> Annual Equivalent	135-140 140-145	120-125	10-15	0-5	2,400	2,400	54	47	205-210	170-175
<b>Chief Executive</b>										
Marcine Waterman <sup>[2]</sup> Annual Equivalent	155-160 140-145	140-145	-	15-20	1,200	2,400	27	56	180-185	215-220
<b>Executive Committee</b>										
David Galpin <sup>[3]</sup> Annual equivalent	10-15 120-125	-	0-5	-	-	-	4	-	15-20	-
Ian McPherson Annual equivalent	50-55 120-125	120-125	0-5	0-5	-	2,200	21	47	75-80	170-172
Matthew Rees Annual equivalent	120-125 120-125	120-125	0-5	0-5	-	-	18	20	140-145	145-150

[1] Neil Swift was appointed as Interim Accounting Officer on 5 June 2017 and Interim Chief Executive from 1 July 2017. He was appointed Chief Executive in May 2018.

[2] Marcine Waterman left the SSRO on 24 October 2017. She received £49,786 as compensation for loss of office and £36,214 as payment in lieu of notice. This payment is included in the table above.

[3] David Galpin was appointed as Director of Legal and Policy on 1 March 2018. He received total remuneration of £115,000 - £120,000 during 2017/18.

[4] Executive Directors' job titles, start and end dates are included in the Board appointment dates table.



Executive Committee Pension entitlements						
	Accrued pension at pension age and related lump sum as at 31 March 2018 [1]	Real increase in pension and related lump sum at pension age	CETV at 31 March 2018	CETV at 31 March 2017	Real increase in CETV	Employer contributions to the partnership pension account (to nearest £100)
	£000	£000	£000	£000	£000	
Neil Swift	5-10	2.5-5	98	60	26	-
Marcine Waterman	5-10	0-2.5	103	85	15	-
David Galpin	5-10	0-2.5	67	65	2	-
Ian McPherson	0-5	0-2.5	71	49	16	-
Matthew Rees	-	-	-	-	-	18,000

[1] The SSRO has not made any early retirement payments to Directors during 2017/18 (2016/17: nil).

### 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 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and 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 8% and 14.75% (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 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

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

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

### **Real increase in CETV**

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

### **Compensation for loss of office (audited)**

Marcine Waterman left the SSRO on 24 October 2017, and received a compensation payment of £49,786. The SSRO also paid legal fees of £15,000.

### Remuneration for the Chair and non-executive Board members (audited)

The remuneration of the Chair and the non-executive Board members is set by the Minister for Defence Procurement. Remuneration of the Chair and the non-executive Board members is by payment of salaries and they have no entitlement to performance related pay or pension benefits. The Chair is paid £592 per day and the non-executive Board members are paid £500 per day. The Chair is paid an average of three days per week (the Interim Chair was paid an average of two days a week) and the non-executive Board members are appointed to work between two and four days per month on average.

Non-Executive members may be appointed to the Referrals Committee, and will work additional days as each Referral requires. The SSRO receives separate funding from the MOD for this work.

The following table summarises the salaries of the Chair and Remuneration for the Chair and non-executive Board members (audited).

		2017/18	2016/17
	Date appointed	£000	£000
<b>Chair</b>			
George Jenkins Annual equivalent	January 2017	70-75 70-75	15-20 70-75
<b>Interim Chair</b>			
Clive Tucker Annual equivalent	September 2014	0 0	35-40 55-60
<b>Non-Executive Board Members</b>			
Mary Davies [1] Annual equivalent	September 2017	5-10 10-15	0
Peter Freeman Annual equivalent	September 2017	5-10 10-15	0
Terence Jagger [2] Annual equivalent	January 2017	20-25 20-25	0-5 10-15
David Johnston [3] Annual equivalent	June 2016	15-20 15-20	15-20 15-20
Marta Phillips [4] Annual equivalent	September 2014	10-15 10-15	15-20 15-20

[1] Mary Davies worked an additional 4.5 days during the year.

[2] Terence Jagger worked an additional 18 days during the year.

[3] David Johnston worked a total of 11 additional days during the year including 4 days as a Referral Panel Member. This remuneration (£2,000) is included in his total remuneration figures.

[4] Marta Phillips worked 1 additional day during the year.

[5] There were no other benefits paid to the Chair or non-executive Board members.

[6] Non-Executive Directors' job titles, start and end dates are included in the Board appointment dates table.

### Fair pay disclosures (audited)

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

Remuneration includes salary, non-consolidated performance related pay and benefits in kind. The figures do not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions. This is summarised in the following table.

	2017/18	2016/17
	£	£
Highest paid director's total remuneration band	<b>160,000 - 165,000</b>	160,000 - 165,000
Median total remuneration	<b>72,407</b>	72,632
<b>Ratio</b>	<b>2.2</b>	<b>2.2</b>

During the year to 31 March 2018 there were no employees receiving a higher remuneration than the highest paid director (2016/17: nil). SSRO employee remuneration ranges from £25,500 to £147,000 (2016/17: £25,000 to £128,000). The increase in the higher range of salaries relates to the inclusion of the departing Chief Executive's salary this year.

## Staff report

### Staff policies

During the 2017/18 financial year the SSRO has treated all employees fairly and in line with the Equalities Act 2010 and our internal policies. The SSRO gives full and fair consideration to all applications for employment, appointing to posts based on merit. The SSRO arranges appropriate training to ensure the continuing development of its employees.

### Staff numbers (audited)

The table below sets out the average number of full time equivalent staff employed during the year.

	2017/18	2016/17
	£000	£000
Permanent [1]	32	33
Non-payroll [2]	4	2
<b>Total</b>	<b>36</b>	<b>35</b>

[1] Permanent employee figures excludes Non-Executive Board Members.

[2] Non-payroll figures include secondments and contractors.

### Staff costs (audited)

The following table provides an analysis of the staff costs included in the Statement of Comprehensive Expenditure.

	2017/18			2016/17		
	Employed staff	Non-payroll staff	Total	Employed staff	Non-payroll staff	Total
	£000	£000	£000	£000	£000	£000
Salary	2,693	165	2,858	2,675	64	2,739
Social security	324	0	324	327	0	327
Pension	544	0	544	563	0	563
Other benefits	60	0	60	58	0	58
<b>Total costs</b>	<b>3,621</b>	<b>165</b>	<b>3,786</b>	<b>3,623</b>	<b>64</b>	<b>3,687</b>

### Staff composition

The table below sets out the average composition of SSRO permanent employees employed during the year.

	2017/18		2016/17	
	Male	Female	Male	Female
Chief Executive and Directors	2	1	3	1
Employees	18	11	18	11
<b>Total</b>	<b>20</b>	<b>12</b>	<b>21</b>	<b>12</b>

\* Non-Executive Board Members are not included in the staff composition figures

### Staff sickness absence

During 2017/18 the average level of sickness absence was two days per employee (2016/17: one).

### Exit packages (audited)

The following table provides a summary of all costs incurred by the SSRO employees' exit packages during the year.

Exit package cost band (£)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
0 - 10,000			
10,000 - 25,000			
25,000 - 50,000			
50,000 - 100,000			
100,000 - 150,000		1	1
150,000 - 200,000			
<b>Total exit packages</b>		<b>1</b>	<b>1</b>
<b>Total cost (£)</b>	<b>0</b>	<b>103,731</b>	<b>103,731</b>

There were no other redundancies or other departure costs during the year to 31 March 2018.

### Contingent labour expenditure

The SSRO incurred costs of £165,000 on contingent labour during 2017/18 (2016/17: £64,000). These costs increased in 2017/18 as the SSRO employed contractors to cover vacant posts whilst recruitment was ongoing.

### Consultancy expenditure

The SSRO had no consultancy expenditure during 2017/18 (2016/17: nil).

### Off-payroll engagements

During the year to 31 March 2018 the SSRO had one off-payroll engagement for more than £220 per day that lasted for longer than six months (2016/17: one).

As at 31 March 2018 the SSRO had one off-payroll contract engagement for more than £220 per day that lasted for longer than six months (2016/17: one).

This off-payroll engagement was via recruitment agency arrangement. As this engagement is with an agency, it has been considered low risk therefore assurance as to whether the individual is paying tax has not been required.

The SSRO had 12 Board members and/or senior officials with significant responsibility during the period to 31 March 2018 (2016/17: ten). One of these senior officials was an off-payroll engagement (2016/17: nil).

The SSRO's Chief Operating Officer was appointed as Interim Chief Executive whilst recruitment for this post progresses. The SSRO appointed an Interim Director of Corporate Resources on 29 November 2017 and this appointment continued through to 31 March 2018.

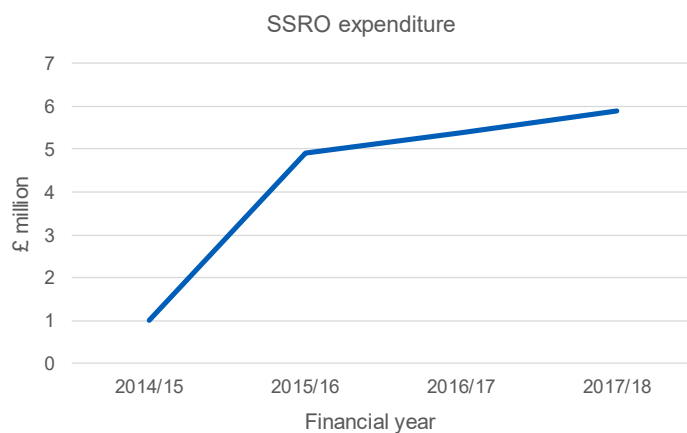


# Parliamentary accountability and audit report

## Regularity of expenditure (audited)

All expenditure incurred in the period to 31 March 2018 was in accordance with HM Treasury and other government guidance. All expenditure was regular and in line with the purposes for which grant in aid was provided. A termination payment was made for the departure of the Chief Executive and HM Treasury approval was obtained.

The SSRO is in its third full year of operation. The SSRO's recurrent costs are largely fixed, but as the organisation's work continues to develop, new resource requirements are identified, and one-off IT development costs incurred. Its expenditure trend since inception is shown below.



[1] Expenditure incurred during 2014/15 covered the part year period between 14 July 2014 to 31 March 2015.

Neil Swift  
**Interim Accounting Officer**  
**28 June 2018**  
**Signed in respect of the Accountability Report**

## Losses and special payments (audited)

During 2017/18 the SSRO made one special severance payment totalling £49,786 (2016/17: nil). There were no other losses or special payments during the year to 31 March 2018 (2017/18: nil).

## Remote contingent liabilities (audited)

The SSRO has no remote contingent liabilities as at 31 March 2018.

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

## Opinion on financial statements

I certify that I have audited the financial statements of the Single Source Regulations Office for the year ended 31 March 2018 under the Defence Reform Act 2014. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Single Source Regulations Office's affairs as at 31 March 2018 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Defence Reform Act 2014 and Secretary of State directions issued thereunder.

## Opinion on regularity

In my opinion, in all material respects the income and expenditure 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.

## Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Single Source Regulations Office in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK.

My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Responsibilities of the Accounting Officer for the financial statements

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.

## Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Defence Reform Act 2014.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Single Source Regulations Office's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Single Source Regulations Office's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

#### Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and

my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

#### Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Defence Reform Act 2014.
- in the light of the knowledge and understanding of the Single Source Regulations Office and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and

- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### Matters on which I report by exception

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

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

#### Report

I have no observations to make on these financial statements.

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

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

**Date: 03 July 2018**







# Financial statements



The background features a close-up of several hands of different skin tones gently holding a globe. The globe is semi-transparent, showing the continents. A large blue geometric shape, consisting of a vertical bar on the left and a diagonal cutout on the right, is overlaid on the image. A gold-colored rectangular area is positioned within the blue shape, containing the text.

**Statement of  
Comprehensive Net  
Expenditure**

**Statement of Financial  
Position**

**Statement of Cash Flows**

**Statement of Changes in  
Taxpayers' Equity**

**Notes to the Financial  
Statements**

**Appendix 1: Accounts  
Direction**

# Statement of Comprehensive Net Expenditure

for the year to 31 March 2018

	Note	Year to 31 March 2018 £000	Year to 31 March 2017 £000
<b>Operating expenditure</b>			
Staff costs	2	3,786	3,687
Information Technology	3	645	564
Accommodation	3	629	581
Purchase of other goods and services	3	503	435
Depreciation and amortisation	3/4/5	195	136
Provisions	3/9	158	0
<b>Total operating expenditure</b>		<b>5,916</b>	<b>5,403</b>
<b>Net expenditure for the year</b>		<b>5,916</b>	<b>5,403</b>
<b>Other comprehensive net income</b>			
Items which will not be classified to net operating costs			
Net gain on revaluation of plant and equipment	4/11	(24)	0
Net gain on revaluation of intangibles assets	5/11	(21)	0
<b>Total other comprehensive net income</b>		<b>(45)</b>	<b>0</b>
<b>Total comprehensive net expenditure for the year</b>		<b>5,871</b>	<b>5,403</b>

The Notes to the Financial Statements on Pages 65 to 76 form part of these accounts.

# Statement of Financial Position

as at 31 March 2018

	Note	As at 31 March 2018 £000	As at 31 March 2017 £000
<b>Non-current assets</b>			
Plant and equipment	4	382	407
Intangible assets	5	423	406
<b>Total non-current assets</b>		<b>805</b>	<b>813</b>
<b>Current assets</b>			
Other receivables	6	130	93
Cash and cash equivalents	7	2,045	338
<b>Total current assets</b>		<b>2,175</b>	<b>431</b>
<b>Total assets</b>		<b>2,980</b>	<b>1,244</b>
<b>Current liabilities</b>			
Trade and other payables	8	452	313
<b>Total current liabilities</b>		<b>452</b>	<b>313</b>
<b>Total assets less current liabilities</b>		<b>2,528</b>	<b>931</b>
<b>Non-current liabilities</b>			
Provisions	9	158	0
<b>Total non-current liabilities</b>		<b>158</b>	<b>0</b>
<b>Total assets less total liabilities</b>		<b>2,370</b>	<b>931</b>
<b>Taxpayers' equity and other reserves</b>			
General Fund	10	2,336	931
Revaluation Reserve	11	34	0
<b>Total equity</b>		<b>2,370</b>	<b>931</b>

The Notes to the Financial Statements on Pages 65 to 76 form part of these accounts.

Neil Swift  
Interim Accounting Officer  
28 June 2018

# Statement of Cash Flows

for the year to 31 March 2018

		Year to 31 March 2018	Year to 31 March 2017
	Note	£000	£000
<b>Cash flows from operating activities</b>			
Net operating expenditure	SoCNE	(5,916)	(5,403)
Depreciation	4	106	92
Amortisation	5	89	44
Increase in other receivables	6	(37)	(23)
Increase/ (decrease) in trade payables	8	139	(9)
Increase in provisions	9	158	0
<b>Net cash outflow from operating activities</b>		<b>(5,461)</b>	<b>(5,299)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(57)	(39)
Purchase of intangible assets	5	(85)	(405)
<b>Net cash outflow from investing activities</b>		<b>(142)</b>	<b>(444)</b>
<b>Cash flows from financing activities</b>			
Grant in aid	10	7,310	5,849
<b>Net cash inflow from financing activities</b>		<b>7,310</b>	<b>5,849</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,707</b>	<b>106</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>338</b>	<b>232</b>
<b>Cash and cash equivalents at the period end</b>	7	<b>2,045</b>	<b>338</b>

The Notes to the Financial Statements on Pages 65 to 76 form part of these accounts.



# Statement of Changes in Taxpayers' Equity

for the period to 31 March 2018

	General fund	Revaluation reserve	Taxpayers' equity
	£000	£000	£000
<b>Balance at 1 April 2016</b>	485	0	485
Total grant in aid received	5,849	0	5,849
Total comprehensive expenditure	(5,403)	0	(5,403)
<b>Balance at 31 March 2017</b>	<b>931</b>	<b>0</b>	<b>931</b>
Total grant in aid received	7,310	0	7,310
Total comprehensive expenditure	(5,916)	0	(5,916)
Asset revaluation gains	0	45	45
Reserves transfer	11	(11)	0
<b>Balance at 31 March 2018</b>	<b>2,336</b>	<b>34</b>	<b>2,370</b>

# Notes to the Financial Statements

The notes that follow form part of the financial statements.

## Note 1: Accounting conventions and policies

### 1.1 Basis of accounts preparation

These financial statements have been prepared in accordance with the 2017/18 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 SSRO for the purpose of giving a true and fair view has been selected. The policies adopted by the SSRO are outlined below. They have been applied consistently in dealing with items that are considered material to the accounts. We also include additional disclosures in line with our Accounts Direction issued by the MOD (Appendix 1).

### 1.2 Accounting convention

The SSRO prepare these accounts using the historical cost convention, adjusted to account for the:

- revaluation of non-current assets to their value to the business by reference to their current existing value in use; and
- valuation of financial instruments at fair value (note 1.12).

### 1.3 Going concern

These financial statements are prepared on a going concern basis.

### 1.4 Recent changes to accounting standards affecting the preparation of accounts

The SSRO have considered, under International Accounting Standard (IAS) 8, whether there have been any changes to accounting policies arising from IFRS that have an impact on the current or prior year, or may have an effect on future years.

The SSRO have reviewed any new or amended standards issued by the International Accounting Standards Board, to decide whether they should make any disclosures in respect of those new IFRS that are, or will be, applicable. There are no changes impacting the 2017/18 financial statements.

There are a number of standards which are not effective yet. These include:

- IFRS 9 Financial Instruments (effective 1 January 2018) which reduces the accounting options available for types of financial instruments. The new standard will be reflected in the FReM from 2018/19. This standard will not impact the SSRO's financial statements;
- IFRS 15 Revenue from contracts with customers (effective 1 January 2018) which provides more guidance on recognition of revenue. The new standard will be reflected in the FReM from 2018/19. This standard will not impact the SSRO's financial statements; and

- IFRS 16 Leases (effective 1 January 2019) which requires all significant leases to be included in the Statement of Financial Position, may impact the SSRO's financial statements. The SSRO has a Memorandum of Terms of Occupation (MOTO) agreement for the 3rd floor of Finlaison House, and this is currently valued at £2,003,000 over the remaining tenancy. IFRS 16 has not yet been adopted by the FReM, but the SSRO Management Team will make an assessment of the impact of it on the financial statements once it becomes clear how it will be adapted in the public sector.

### 1.5 Grant in aid

The SSRO treat grants, whether revenue or capital, as contributions from controlling parties giving rise to financial interest in our organisation and we credit them directly to the fund reserve. Grant in aid received from the MOD is used to finance activities and expenditure which support the statutory and other objects of the SSRO.

### 1.6 Value added tax (VAT)

The SSRO is not registered for VAT, therefore any VAT incurred is not recoverable. The SSRO expense any VAT to the Statement of Net Expenditure in the period the cost is incurred.

### 1.7 Property, plant and equipment

The SSRO capitalise office refurbishments, computer equipment purchases and other equipment purchases for individual purchases over £1,000 or grouped purchases over £5,000.

### 1.8 Intangible assets

The SSRO capitalise internally generated assets and new software, including any licences that cover the life of the software for individual purchases over £1,000 or grouped purchases over £5,000. Internally generated assets are capitalised once they meet the criteria for the development phase under IAS 38. Research costs are expensed in the year they relate to.

### 1.9 Donated assets

Donated non-current assets are capitalised at their current value on receipt, and this value is credited to the Statement of Comprehensive Net Expenditure. Donated assets are depreciated in the same way as other non-current assets.

### 1.10 Depreciation and amortisation

The SSRO provide for depreciation on all property, plant and equipment non-current assets and amortisation of intangible non-current assets. The SSRO calculate depreciation charges to write off the cost less the estimated residual value of each item in equal annual instalments over its expected useful life. Unless otherwise appropriate, the SSRO have set the expected useful life of each category of non-current asset as:

- leasehold improvements, over the remaining term of the lease;
- furniture, fittings and office equipment five to seven years;
- computer equipment, three to five years; and
- intangible assets, three to five years.

### 1.11 Non-current asset revaluation

Following initial recognition, the SSRO's leasehold and intangible non-current assets are reviewed and revalued annually to current value in existing use. In line with FReM guidance on Modified Historic Cost Accounting, relevant (MHCA) indices are provided by the MOD and used to revalue these non-current assets.

### 1.12 Financial Instruments

The fair value of our financial instruments (other receivables and payables) are valued at their nominal amount as they are due in less than 12 months.

### 1.13 Operating leases

The SSRO charge operating lease rentals on a straight-line basis over the lease term.

### 1.14 Provisions

In accordance with IAS 37, provisions are disclosed in the Statement of Financial Position for legal and constructive obligations in existence at the end of the reporting period if the payment amount to settle the obligation is probable and can be reliably estimated.

### 1.15 Accounting estimates

Judgements and estimates are required in applying our accounting policies that may affect the amounts we include in our financial statements. The main areas are:

- Non-current assets (notes 4 and 5) – the SSRO review non-current assets each year for impairment and to ensure useful lives remain appropriate, in line with accounting standards. Where non-current assets are revalued at the year end (Leasehold and Intangibles), the SSRO uses MHCA indices provided by the MOD.
- Provisions (note 9) - the SSRO estimate dilapidation provisions based on an assessment of likely dilapidation costs when they plan to vacate a property. This assessment is based on an average cost per square foot provided by the Government Property Agency.

### 1.16 Pensions

SSRO staff are eligible for a pension provided by the Principal Civil Service Pension Scheme (PCSPS). The SSRO has been included in Schedule 1 of the Superannuation Act 1972 as per schedule 4 of the Defence Reform Act 2014.

The SSRO incurs Employers contribution costs along with scheme administration costs. This expenditure is recognised in the Statement of Comprehensive Net Expenditure in the year it is incurred.

## Note 2: Staff costs

The note below provides a breakdown of the staff costs shown in the Statement of Net Comprehensive Expenditure.

Staff costs	Year to 31 March 2018	Year to 31 March 2017
	£000	£000
Salary	2,858	2,739
Social security	324	327
Pension	544	563
Other benefits	60	58
<b>Total staff costs</b>	<b>3,786</b>	<b>3,687</b>

Further information on staff costs and numbers is included in the Staff report (page 51).



### Note 3: Other expenditure

The note below provides a breakdown of the other expenditure shown in the Statement of Net Comprehensive Expenditure.

Other expenditure	Year to	Year to
	31 March	31 March
	2018	2017
	£000	£000
Information Technology	645	564
Accommodation costs - lease	354	346
Accommodation costs – other	275	235
Accommodation costs – provisions	158	0
Depreciation	106	92
Publications and Subscriptions	100	89
Professional Services	96	120
Amortisation	89	44
Recruitment	68	32
Outsourced Services	53	45
Legal Services	41	31
Staff Training	30	22
Audit fee - internal	38	28
Travel and Subsistence	29	23
Audit fee - external <sup>[1]</sup>	20	20
Insurance	14	12
Office Supplies and Services	12	12
Other lease costs	1	1
Bank charges	1	0
<b>Total other expenditure</b>	<b>2,130</b>	<b>1,716</b>

[1] The external audit fee for 2017/18 is £20,200 (2016/17 £20,000). During the year, the SSRO did not contract any non-audit services from its external auditor, the National Audit Office (NAO).

## Note 4: Property, plant and equipment

This note provides an analysis of the movements in property, plant and equipment shown in the Statement of Financial Position.

	Leasehold improvements	Furniture and Fittings	Information Technology	Total
	£000	£000	£000	£000
<b>Cost</b>				
At 1 April 2017	309	85	174	568
Additions	0	9	48	57
Revaluation	26	0	0	26
<b>At 31 March 2018</b>	<b>335</b>	<b>94</b>	<b>222</b>	<b>651</b>
<b>Depreciation</b>				
At 1 April 2017	77	30	54	161
Charged in year	44	17	45	106
Revaluation	2	0	0	2
<b>At 31 March 2018</b>	<b>123</b>	<b>47</b>	<b>99</b>	<b>269</b>
<b>Net book value</b>				
<b>At 31 March 2018</b>	<b>212</b>	<b>47</b>	<b>123</b>	<b>382</b>
<b>Cost</b>				
At 1 April 2016	309	85	135	529
Additions	0	0	39	39
<b>At 31 March 2017</b>	<b>309</b>	<b>85</b>	<b>174</b>	<b>568</b>
<b>Depreciation</b>				
At 1 April 2016	40	13	16	69
Charged in year	37	17	38	92
<b>At 31 March 2017</b>	<b>77</b>	<b>30</b>	<b>54</b>	<b>161</b>
<b>Net book value</b>				
<b>At 31 March 2017</b>	<b>232</b>	<b>55</b>	<b>120</b>	<b>407</b>

All property, plant and equipment non-current assets are owned by the SSRO.

There have been no impairments during the period to 31 March 2018.

Apart from leasehold non-current assets, assets are held on a depreciated historical cost basis, as a proxy for their current value in existing use.

In line with FReM guidance, leasehold non-current assets have been revalued as at 31 March 2018. Relevant MHCA indices provided by the MOD have been used for this revaluation.

The SSRO applied indexation to its leasehold non-current assets for the first time in 2017/18.

Indexation was applied back to inception of the lease.

## Note 5: Intangible assets

This note provides an analysis of the movements in intangible non-current assets shown in the Statement of Financial Position.

	<b>Software</b>
	<b>£000</b>
<b>Cost</b>	
At 1 April 2017	479
Additions	85
Disposals	(71)
Revaluation	21
<b>At 31 March 2018</b>	<b>514</b>
<b>Amortisation</b>	
At 1 April 2017	73
Charged in year	89
Disposals	(71)
Revaluation	0
<b>At 31 March 2018</b>	<b>91</b>
<b>Net book value</b>	
<b>At 31 March 2018</b>	<b>423</b>
<b>Cost</b>	
At 1 April 2016	74
Additions	405
<b>At 31 March 2017</b>	<b>479</b>
<b>Amortisation</b>	
At 1 April 2016	29
Charged in year	44
<b>At 31 March 2017</b>	<b>73</b>
<b>Net book value</b>	
<b>At 31 March 2017</b>	<b>406</b>

All intangible non-current assets are owned by the SSRO.

The SSRO's additions relate to an internally generated asset (DefCARS). The SSRO decommissioned and disposed of the DefCARS pilot database in April 2017.

There have been no impairments during the period to 31 March 2018.

In line with FReM guidance, intangible assets have been revalued as at 31 March 2018.

MHCA indices provided by the MOD have been used for this revaluation.

## Note 6: Other receivables

This note provides an analysis of the other receivables line in the Statement of Financial Position.

	31 March 2018	31 March 2017
	£000	£000
Other receivables	13	11
Prepayments	117	82
<b>Total other receivables</b>	<b>130</b>	<b>93</b>

All SSRO receivables fall due within one year.

This note provides an analysis of other receivables between government and external bodies.

	31 March 2018	31 March 2017
	£000	£000
Other central government bodies	0	2
External	130	91
<b>Total other payables</b>	<b>130</b>	<b>93</b>

## Note 7: Cash and cash equivalents

The following note summarises the SSRO's cash and cash equivalents as shown in the Statement of Financial Position.

	31 March 2018	31 March 2017
	£000	£000
Balance at 1 April	338	232
Net change in cash and cash equivalents	1,707	106
<b>Balance at 31 March</b>	<b>2,045</b>	<b>338</b>

All cash balances are held with the Government Banking Service.

Grant in aid of £1,640,000 for 2018/19 was received from the MOD earlier than requested on 23 March 2018.

## Note 8: Trade and other payables

This note analyses the SSRO's trade and other payables as shown in the Statement of Financial Position.

	31 March 2018	31 March 2017
	£000	£000
Trade and other payables	0	19
Accruals	352	196
HMRC	100	98
<b>Total trade and other payables</b>	<b>452</b>	<b>313</b>

There were no outstanding invoices at 31 March 2018 (2016/17: £19,000). During the period to 31 March 2018 99 per cent of undisputed invoices were paid within 5 days (2016/17: 98 per cent).

This note provides an analysis of other payables between government and external bodies.

	31 March 2018	31 March 2017
	£000	£000
Other central government bodies	144	126
External	308	187
<b>Total other payables</b>	<b>452</b>	<b>313</b>

## Note 9: Provisions

This note shows the movement in provisions during the year.

	31 March 2018	31 March 2017
	£000	£000
Opening balance at 1 April	0	0
Provision in the period	158	0
<b>Total provisions at 31 March</b>	<b>158</b>	<b>0</b>

The SSRO's provisions are for dilapidations and are based on an estimated cost per square foot to repair or reinstate the third floor, Finlaison House to the satisfaction of the landlord at the end of the agreed occupation/lease term in 2023. Any cash outflow is expected at the end of the lease in July 2023 (over 5 years).



## Note 10: General Fund

This note shows the movement in the general fund for activities during the year.

	Year to 31 March 2018	Year to 31 March 2017
	£000	£000
General fund brought forward 1 April	931	485
Grant in aid received 2017/18	5,670	5,849
Grant in aid received 2018/19	1,640	0
Net operating expenditure	(5,916)	(5,403)
Transfer from revaluation reserve	11	0
<b>General Fund carried forward 31 March</b>	<b>2,336</b>	<b>931</b>

The SSRO agreed funding for 2017/18 of £5,780,000. £118,000 of this was carried forward from 2016/17, resulting in £5,662,000 being drawn down in-year. An additional £8,000 relating to referrals was also received in-year.

Grant in aid of £1,640,000 for 2018/19 was received from the MOD earlier than requested on 23 March 2018.

## Note 11: Revaluation Reserve

This note shows the movement in the revaluation reserve during the year.

	Year to 31 March 2018	Year to 31 March 2017
	£000	£000
Revaluation reserve brought forward 1 April	0	0
Net gain on revalued non-current assets	45	0
Transfer to general fund	(11)	0
<b>Revaluation reserve carried forward 31 March</b>	<b>34</b>	<b>0</b>

Following initial recognition, the SSRO's leasehold and intangible non-current assets will be reviewed and revalued annually to current value in existing use using relevant indices in line with FReM guidance on the application of MHCA indices.

## Note 12: Financial Instruments

As the cash requirements of SSRO are met through grant in aid, financial instruments play a limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the SSRO's expected purchase and usage requirements. The SSRO has no material exposure to currency, credit, liquidity or market risk.

## Note 13: Capital commitments

The SSRO does not have any future contracted capital commitments that are not reflected in the accounts as at 31 March 2018 (2016/17: nil).

## Note 14: Commitments under leases

### 14.1: Property lease

The note below shows future minimum lease payments for the SSRO's property operating lease for the period.

	31 March 2018	31 March 2017
	£000	£000
Due within one year	363	355
Due up to five years	1,547	1,510
Over five years	93	494
<b>Total future minimum payments for non-cancellable operating leases for properties</b>	<b>2,003</b>	<b>2,359</b>

The SSRO spent £354,000 on operating lease payments for property during the period to 31 March 2018 (2016/17: 346,000).

### 14.2 Photocopier lease

The note below shows future minimum lease payments for the SSRO's photocopier lease for the period.

	31 March 2018	31 March 2017
	£000	£000
Due within one year	1	1
Due up to five years	1	0
<b>Total future minimum payments for non-cancellable photocopier lease</b>	<b>2</b>	<b>1</b>

The SSRO spent £1,000 on photocopier lease payments during the period to 31 March 2018 (2016/17: 1,000).

## Note 15: Contingent assets and liabilities

As at 31 March 2018, the SSRO has no contingent assets or liabilities.

## Note 16: Related party transactions

The SSRO's related party disclosures meet the requirements of IAS 24. Disclosure relates to key management personnel of the SSRO, or their close family members, who are in a position of significant influence resulting from being elected to, receiving remuneration from or being appointed to any organisation

- that is a government department; or
- that is a provider or receiver of significant services to, or from the SSRO.

All related party transactions and balances over £1,000 will be disclosed at 31 March 2018.

### Key management personnel

There are no related party transactions to report in the period to 31 March 2018 for key personnel. Details of the SSRO's key management personnel can be found in the Remuneration Report.

### Ministry of Defence (MOD)

The SSRO is a Non-Departmental Public Body sponsored by the MOD. During the year the SSRO received grant in aid from the MOD of £7,310,000 (2016/17: £5,849,000). The SSRO received £1,640,000 of 2018/19 grant in aid earlier than requested on 23 March 2017. The SSRO received services totalling £17,000 from the MOD during the year (2016/17: £27,000). There were no balances due or payable by the SSRO as at 31 March 2017 (2016/17: nil).

### Other government departments

**Government Actuaries Department (GAD):** during the year, the SSRO were invoiced £502,000 by GAD for services they received (2016/17: £499,000).

There was £7,000 payable (accrued) to GAD as at 31 March 2018 (2016,17: £7,500). The majority of these payments were due under the Memorandum of Terms of Occupation (MOTO) agreed with GAD as landlord of the SSRO's accommodation.

**OFGEM:** during the year the SSRO were invoiced £37,000 for services provided to them (2016/17: £41,000). There were no balances due or payable to the SSRO as at 31 March 2018 (2016/17: nil). The majority of these payments were due under contracts for outsourced Finance and HR services provided by Ofgem to the SSRO.

### Note 17: Events occurring after the end of the reporting period

Neil Swift was appointed as the SSRO's Chief Executive on 16 May 2018. Neil is currently the Interim Accounting Officer of the SSRO. Confirmation of his appointment as permanent Accounting Officer is expected to be received in the near future.

The SSRO's financial statements are laid before the Houses of Parliament by the Ministry of Defence. International Accounting Standard 10 (IAS 10) requires the SSRO to disclose the date on which the certified accounts are approved by the Interim Accounting Officer.

These accounts have been authorised for issue by the Interim Accounting Officer on the same date as the C&AG's Audit Certificate.

# Appendix 1: Accounts Direction

## ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE FOR DEFENCE IN ACCORDANCE WITH SCHEDULE 4, 12(2) OF THE DEFENCE REFORM ACT 2014

1. This direction applies to the Single Source Regulations Office (SSRO)
2. The SSRO shall prepare accounts in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (the FReM) issued by HM Treasury which is in force for the financial year for which the accounts are being prepared. The accounts shall also comply with any additional disclosure or other requirements which have been agreed with the Department or are mandated by relevant UK legislation (for example The Companies Act) or are issued by HM Treasury or the Cabinet Office.
3. The accounts shall be prepared so as to:
  - a. give a true and fair view of the state of affairs as at 31st March each year and of the net operating costs, recognised gains and losses and cash flows for the financial year then ended; and
  - b. provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
4. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.
5. Annual Accounts shall be published for the reporting period ending 31 March 2015 and subsequent financial years, and laid before the House of Commons in accordance with the Parliamentary reporting timetable for the year to which they relate.
6. In addition, SSRO shall operate governance arrangements sufficient to ensure all income and expenditure conforms with the rules on regularity and propriety set out in Managing Public Money.



DAVID WILLIAMS  
DIRECTOR GENERAL FINANCE

