

# **National Fraud Authority Annual Accounts 2010-11**



**National Fraud Authority**  
**An Executive Agency of the Attorney General's Office**

**Annual Accounts**

**2010-2011**

From 1 April 2011 we will operate as an Executive Agency of the Home Office

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

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## **Chief Executive's Foreword**

The National Fraud Authority (NFA) was established in October 2008 to spearhead the fight against fraud and, more specifically, to provide strategic oversight and co-ordination of counter-fraud activity across England and Wales. This covers fraud against the public, private and charity sectors and against the individual.

In the prior year, my first as Chief Executive, we established a stable, delivery-focused organisation, built a reputation with stakeholders as the body that can work with partners to solve problems and catalyse effective action, and started to deliver strong results across our set of projects tackling various aspects of the fraud problem. During 2010-11, we have consolidated that strong base; making significant strides in measuring the fraud problem, delivering operational excellence in fraud reporting, improving public awareness and support for victims, and bringing stakeholders together more effectively to tackle the key fraud threats and enablers. We have also raised the priority of fraud as a crime type, worked closely with Cabinet Office on tackling public sector fraud as a key cross-cutting efficiency theme, and with the Home Office on its linkage with organised, cyber and ID crime, and advised on how counter-fraud initiatives should fit into the thinking on the Economic Crime Agency and National Crime Agency proposals.

This report sets out the way in which we have spent the NFA's £4.9m funding during 2010-11 in discharging our role and our business plan commitments. It should be read alongside our 2010-11 Achievements Report, which is available on our website (<http://www.attorneygeneral.gov.uk/nfa/WhatAreWeSaying/Documents/NFA%20an%20review%202011.pdf>). The reputation we have developed was the key factor in HM Treasury's allocation of "ring-fenced" Comprehensive Spending Review funding for 2011-15 and approval for significant additional cyber funding to extend our fraud reporting capability, and in the decision to transfer responsibility for the NFA to the Home Office, which took place on 1 April 2011.

The NFA staff, our key resource, have played a major role in all these achievements and I would like to take this opportunity to pay tribute to them for their hard work during the year which has secured the significant progress we have made. The internal control environment has increased in sophistication as the NFA has grown and developed as an organisation, and we are continuing to make appropriate refinements to a range of internal controls as we move forward.

Our plan for the year ahead (set out in our 2011-12 Business Plan), working alongside our counter-fraud community partners, is to continue to deliver significant and measurable improvements which will make the UK a more hostile environment for fraudsters.

**Dr Bernard Herdan CB**  
**Chief Executive and Accounting Officer**  
**National Fraud Authority**  
**28 June 2011**

## **MANAGEMENT COMMENTARY**

The NFA was established as an Executive Agency within the Attorney General's Office in October 2008. On 1 April 2011, sponsorship for the Agency was formally transferred to the Home Office. Prior to April 2011, the NFA was funded through the Serious Fraud Office's (SFO) estimate and therefore financial accountability was to the SFO's Director as the Principal Accounting Officer for the NFA. These accounts for 2010-11 are being consolidated into SFO's annual accounts. From 2011-12, they will be consolidated into the Home Office's annual accounts.

The NFA's focus in 2010-11 has been on delivering on its Business Plan commitments articulated through its Ambition, Mission and 8 Strategic Priorities.

### Our Ambition

To be the acknowledged champion of the country's fight against fraud, and through collaborative efforts, to secure a demonstrable reduction in the harm caused by fraud.

### Our Mission

By working through and with our stakeholders to: drive and co-ordinate the delivery of targeted, well-defined interventions in priority areas; build awareness of fraud; improve support for victims and co-ordinate the efforts of the counter-fraud community, in order to make substantial improvements to the country's ability to prevent, deter, disrupt, detect, prosecute and punish fraudsters and to recover assets.

### Strategic Priorities

- To improve information sharing between and within the public and private sectors, in order to prevent and detect more fraud.
- Through the Action Fraud reporting centre, to increase and improve the reporting of fraud and to harness the information collected to achieve better prevention and enforcement in the fight against fraud.
- To improve the level of support and advice given to fraud victims.
- To improve public and business awareness of fraud and self-protection from it.
- To build and exploit improved information and knowledge, providing a centre of expertise to raise the priority of fraud, secure and target counter fraud resources appropriately and achieve better prevention and enforcement of fraud.
- To address key fraud enablers and high threat areas by prioritising and driving forward specific multi-partner interventions to reduce them.
- To ensure there is an appropriate balance in the criminal justice system between fraud prevention and disruption and the use of criminal justice powers and that the criminal and civil enforcement measures used against fraudsters are as effective as possible.
- To champion and co-ordinate the counter-fraud community, helping it become more joined up, more efficient and effective. We will do this by building relationships,

sharing good practice, dealing with the gaps and overlaps and helping to streamline the counter-fraud community landscape.

Our headline two-year achievements have been:

- Becoming recognised by public and private sector stakeholders for championing the fight against fraud
- Improving fraud measurement and public awareness of the risks of and the need to self-protect against fraud
- Raising the profile of public sector fraud and driving the public sector take-up of private sector solutions
- Breaking down barriers to fraud information sharing
- Coordinating the cross-cutting attack on mortgage fraud
- Launching and swiftly developing the Action Fraud reporting service, linked to the National Fraud Intelligence Bureau, and securing huge improvement in support to victims
- Leading cross-cutting action against mass marketing fraud – in the UK and internationally
- Creating the Identity Crime Threat Assessment and action plans in co-operation with National Fraud Intelligence Bureau and other partners
- Providing fraud expertise and an evidence base for Home Office work on Organised and Economic Crime

The NFA is working with key partners to produce a new strategic plan for the Counter-Fraud Community, identifying strategic priorities for the next 4 years that will focus the resources, measures and collaboration of the counter-fraud community on areas of fraud that will have the most impact. The strategy, with which the NFA's business plans for each of the 4 years will be aligned, will be widely owned by stakeholders across the counter-fraud community.

As part of the Comprehensive Spending Review, the NFA was allocated "ring-fenced" funding of £14.1m in 2011-15 and has also received approval for the allocation of £8.9m cyber funding for the same period to extend its capability into a single reporting solution for all fraud and cyber crime.

### **Relationship with the Sponsor Department**

For 2010-11 the NFA operated under a Framework Document setting out arrangements, accountabilities and delegations under Attorney General's Office sponsorship. It has also complied with financial and other rules set out by HM Treasury, Cabinet Office and others, notably those reflected in Managing Public Money and the new spending rules issued in May 2010 as updated. The Attorney General's Office provided the strategic and business "sponsorship" role overseeing the NFA, as well as operating as the Senior Information Risk Owner for the NFA. The NFA is financially accountable through the Serious Fraud Office and to the SFO's Accounting Officer (the Director) for its funding "estimates" and through the consolidation of its accounts into the SFO's annual accounts.

With sponsorship moving to Home Office on 1 April, new arrangements, accountabilities and delegations have been reflected in an exchange of formal letters and will be reflected in a revised Framework Document in due course.

### **The NFA Management Board**

The NFA Management Board is chaired by Dr Bernard Herdan CB, Chief Executive. The Board comprises the CEO, two Non-Executive Directors, five Directors (one acting as senior finance professional), the Head of HR and sponsor representatives of the AGO and SFO (now Home Office). Board meetings have been held monthly.

The Board has responsibility for establishing the NFA's strategic direction for approval by the Attorney General (now Home Office), including its mission, ambition, values, strategic objectives and corporate governance arrangements. It also oversees business performance and the management of corporate resources including staff, finance, risk, information handling, security and physical resources.

### **Audit Committee**

The NFA's Audit Committee was set up in 2008-09. The membership of the Committee comprises two Non-Executive Directors from the NFA and an independent Chair who is also a Non-Executive Director of the SFO. The NFA's Chief Executive, the Director of Programme Delivery, representatives from the National Audit Office (NAO) and Internal Audit (HMRC) attend regularly, and others as and when required. The Committee has clearly defined terms of reference, which are reviewed annually. The Committee will continue in place as currently constituted at least until June 2011 to ensure effective continuity through to annual accounts closure for 2010-11.

### **Data and Data Security**

The NFA has given consideration to the Cabinet Office guidance on Reporting of Personal Data Related Incidents. It complies with the Security and Acceptable Use Policy set by the Attorney General's Office. The NFA reports any incidents to the Attorney General's Office. The incidents that fall within this guidance are also reported to the Cabinet Office and where appropriate the Information Commissioner's Office. There was one data incident this year which was handled in accordance with this guidance.

### **Business Plan**

The NFA has produced Business Plans setting out our objectives and work to be undertaken with our counter-fraud community partners. The NFA has identified the key risks, including financial risks, to its objectives and policies and identified the level of exposure for inclusion in its risk register. The risk register is reviewed on a regular basis by the Board and the Audit Committee. The nature of some of the key risks faced by the NFA and its risk management arrangements are set out in the Statement on Internal Control.

### **Future Developments**

The NFA Business Plan for 2011-12, published in May 2011, is available on the NFA website and sets out the range of activities that the NFA will be pursuing in the year

ahead. This includes its operational plan to drive forward work on key projects, in partnership with the counter-fraud community, to improve fraud prevention, disruption and enforcement capability.

The NFA and the Home Office have put good practice project management arrangements in place for transitioning sponsorship over to the Home Office on 1 April 2011. These arrangements are continuing to operate to effect a likely relocation into Home Office accommodation, coupled with IT and corporate systems transitions, during 2011-12. Risks, for example around the costs and timescale of such a relocation, are being actively managed.

### **Relationships with Key Stakeholders**

The NFA has worked effectively with AGO and SFO as sponsor and accounting officer departments, and with its many partners in the public and private sectors in the course of its work. It is committed to maintaining and developing strong stakeholder relationships, which are vital in achieving a successful, collaborative approach to tackling fraud.

### **Diversity**

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

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

### **Sickness**

The NFA aims to ensure the regular attendance of all its employees. However, it recognises that from time to time, employees may be unable to attend work due to ill health. Working in partnership with the employees, the NFA aims to find ways to manage sick absences and ensure employees return to work at the earliest possible opportunity. The average number of sick days per permanent member of NFA staff during the year was 2.7 (2009/10: 2.92 days).

### **Financial Instruments**

Details about the NFA's policies regarding financial instruments are included in note 16 to these accounts.

### **Pensions**

Details about pension arrangements are included in note 2 of these accounts.

## **Environmental Policy and Sustainability**

The NFA's business provides limited opportunity to subscribe directly to wider environmental policy formulation and to the Sustainable Development in Government initiative. The Agency is developing a Green Housekeeping Policy and staff are encouraged to be energy efficient. We currently recycle paper and toner cartridges and seek to purchase environmentally friendly goods wherever possible.

The Law Officers' Departments have developed a Sustainable Development action plan and all departments will work to:

- comply with relevant environmental legislation;
- minimise waste by reducing and reusing, maximising recycling opportunities;
- conserve energy, water and other natural resources;
- reduce carbon emissions from buildings and business related travel;
- reduce the usage of paper and office consumables; and
- introduce better procurement of sustainable goods and services.

A copy of the action plan can be found at:

<http://www.sfo.gov.uk/about-us/our-policies-and-publications/lod-sustainable-development-action-plan.aspx>

NFA has taken the decision not to include a sustainability report for 2010-11 with these accounts. The Agency will produce a sustainability report in accordance with the proposed Government Financial Reporting Manual (FReM) requirement issued by HM Treasury from 2011-12.

## **Social/Community Issues**

The Agency's work supports communities and vulnerable adults in particular, by helping reduce the harm caused to them by fraud. The Agency collaborates closely with the charity Victim Support to provide practical and emotional help to the victims of fraud.

## **Going Concern Basis**

The activities of the NFA are financed by the Supply Estimate process within the Vote Structure of the Serious Fraud Office (SFO). The SFO also provides transactional services including the payment of the NFA's invoices. The Statement of Financial Position shows net liabilities of £19,000 which relate to accruals plus payables less all assets. The payables and accruals will be paid in full based on the NFA's 2010-11 resource budget. The NFA was allocated funding by the Comprehensive Spending Review 2010, which covers the period 2011-15. Therefore, it is considered appropriate to adopt a going concern basis for the preparation of these financial statements. The accounts have been prepared under a direction issued by HM Treasury, under section 7 of the Government Resources and Accounts Act 2000. Sponsorship of all the NFA's operating activities are transferring to the Home Office as of 1 April 2011.

## **Payment of Suppliers**

The SFO pay supplier invoices on behalf of the NFA. The NFA policy for 2010-11 was to pay undisputed invoices within 30 days of receipt, in line with the legal requirement. The Prime Minister made a commitment in October 2008 that central government

departments would move to paying invoices within 10 days of goods being received with a valid invoice. It is not possible to disclose the NFA-specific payment performance as it uses the SFO's accounting system which does not allow for payment performance analysis by cost centre.

### **Events After the Reporting Period**

In accordance with the requirements of *International Accounting Standard 10 'Events after the reporting period'* are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General. Details are provided in note 17 of the accounts.

### **External Audit Arrangements**

The Comptroller and Auditor General is the external auditor of the NFA. The notional audit fee for the period of these accounts was £33,000 (2009-10: £36,000, including £3,000 in respect of the audit of IFRS based shadow accounts for 2008-09).

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

- as far as I am aware, there is no relevant audit information of which the NFA auditors are not aware; and
- I have taken all steps that ought to have been taken in order to make myself aware of any relevant audit information, and also to ensure that the NFA's auditors are aware of that information.

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

**Dr Bernard Herdan CB**  
**Chief Executive and Accounting Officer**  
**National Fraud Authority**  
**28 June 2011**

## **REMUNERATION REPORT**

### **Policy**

The Attorney General appoints the Chief Executive and sets his salary in accordance with the Review Body on Senior Salaries taking account of the skills and experience required.

Other Senior Civil Servants (SCS) have been appointed by the Chief Executive in agreement with the Attorney General and salaries set in accordance with Cabinet Office guidance on SCS Reward, Benefits and Recruitment.

### **Senior Official Appointments**

Dr Bernard Herdan CB was appointed as Chief Executive by the Attorney General on a two year contract commencing on 1 April 2009.

### **Salaries, emoluments and pension entitlements of the Board (audited)**

The current board members comprise of the Chief Executive, four permanent Directors, one director recruited on a fixed term contract and two Non-Executive Directors. The Directors are Mike Haley, Stephen Harrison, Edward Nkune, Peter Wilson and Alistair Cook. The Non-Executive Directors are Stephen Barrett and Alison Porter.

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

## Disclosure of salary, pension and compensation information for 2010-11 (audited):

Officials	Salary £'000	2010-11 Bonus Payments £'000	Benefits in kind (to nearest £100)	Salary £'000	2009-10 Bonus Payments £'000	Benefits in kind (to nearest £100)
Bernard Herdan <sup>1</sup> <i>Chief Executive</i> (From 1 April 09)	105-110	35-40 <sup>2</sup>	-	105-110	15-20	-
Edward Nkune, <i>Director of Knowledge</i> (From 1 April 09)	70-75	-	-	70-75	-	-
Stephen Harrison <i>Director of Enforcement</i> (From 7 September 09)	80-85	5-10 <sup>3</sup>	-	40-45 (80-85 fye)	-	-
Mike Haley <i>Director of Intervention</i> (From 14 September 09)	80-85	5-10 <sup>3</sup>	-	40-45 (80-85 fye)	-	-
Peter Wilson <i>Director of Engagement</i> (From 14 September 09)	115-120	-	-	55-60 (115-120 fye)	-	-
Alison Porter <i>Non-Executive Director</i> (From 1 April 09)	15-20	-	-	20-25	-	-
Stephen Barrett <i>Non-Executive Director</i> (From 1 April 09)	15-20	-	-	15-20	-	-
Sean Byrne <i>Head of Prevention &amp; Threats</i> (To 31 August 09)	-	-	-	20-25 (55-60 fye)	-	-
Michael Schindler <sup>4</sup> <i>Chief Operating Officer</i> (To 11 September 09)	-	-	-	80-85	-	-
Adam Morris <sup>4</sup> <i>Head of Engagement</i> (To 30 September 09)	-	-	-	80-85	-	-
Alistair Cook <sup>4</sup> <i>Director of Programme Delivery</i> (From 1 May 09)	130-135	-	-	105-110	-	-

'fye' – Full year equivalent

1. Appointed on a two-year contract commencing on 1 April 2009.

2. Bonus figure is inclusive of a £20,000 accrued performance bonus for the last 6 months of 2009-10.

3. The 2010-11 bonus payments for the Directors (S. Harrison and M. Haley) relate to performance bonuses for 2009-10 which were not accrued for.

4. Contract staff – these are agency staff paid on a daily basis, therefore we are unable to disclose a full year equivalent for 2009-10.

## Disclosure of salary, pension and compensation information for 2010-11 (audited):

Officials	Accrued pension at pension age as at 31/3/11 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/11	CETV at 31/3/10 <sup>1</sup>	Real increase in CETV	Employer Contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Bernard Herdan <i>Chief Executive</i> (From 1 April 09)	-	-	-	-	-	16,700
Edward Nkune <i>Director of Knowledge</i> (From 1 April 09)	10-15 plus lump sum of 40-45	0-2.5 plus lump sum of 0-2.5	176	158	4	-
Stephen Harrison <i>Director of Enforcement</i> (From 7 September 09)	20-25 plus lump sum of 70-75	0-2.5 plus lump sum of 2.5-5	345	296	21	-
Mike Haley <i>Director of Intervention</i> (From 14 September 09)	30-35	0-2.5	383	332	20	-
Peter Wilson <i>Director of Engagement</i> (From 14 September 09)	5-10	2.5-5	97	63	25	-
Alison Porter <i>Non-Executive Director</i> (From 1 April 09)	-	-	-	-	-	-
Stephen Barrett <i>Non-Executive Director</i> (From 1 April 09)	-	-	-	-	-	-
Alistair Cook <i>Director of Programme Delivery</i> (From 1 May 09)	-	-	-	-	-	-

Note: Where members are appointed to, or resigned from the NFA Management Board during the financial year, the figures given refer only to the period in which they were members of the board.

<sup>1</sup> The actuarial factors used to calculate CETVs were changed in 2010/11. The CETVs at 31/3/10 and 31/3/11 have both been calculated using the new factors, for consistency. The CETV at 31/3/10 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

## Non-Executive Directors

Stephen Barrett and Alison Porter were appointed Non-Executive Directors on 01 April 2009 and their remunerations are in line with the recommendations made by the Cabinet Office.

## Service Contracts

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

Unless otherwise stated, the officials covered by this report hold fixed-term contracts of up to two years. Early termination for any appointments that are open-ended, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

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

## Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

## Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. No benefits in kind were granted in this period.

## Civil Service Pensions

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

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. 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 updated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

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

### **Cash Equivalent Transfer Values**

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries 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.

### **Partnership Pension**

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £16,740 (2009-10: £15,345) were paid

to the appointed stakeholder pension provider. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay.

**Dr Bernard Herdan CB**  
**Chief Executive and Accounting Officer**  
**National Fraud Authority**  
**28 June 2011**

### **Statement of Accounting Officer's Responsibilities**

Under section 7 of the Government Resources and Accounts Act 2000, HM Treasury has directed the National Fraud Authority to prepare for each financial year accounts detailing the resources acquired, held or dispersed of during the year and the use of resources by the Agency during the year.

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

The Attorney General formally assigned the Director of the Serious Fraud Office (SFO) as Principal Accounting Officer of the National Fraud Authority. The Director of the SFO has designated the Chief Executive of the National Fraud Authority as Additional Accounting Officer.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Agency's assets, are set out in Managing Public Money guidance published by HM Treasury. 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 HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclosed and explain any material departures in the accounts; and
- prepare the accounts on a going-concern basis.

## **Statement on Internal Control**

### **1. Scope of Responsibility**

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the NFA's policies, aims and objectives whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money and the Government's Financial Reporting Manual. I am assisted by the NFA Management Board in ensuring that the NFA continues to operate within the control and delegation framework specified by the Attorney General's Office (AGO).

This statement sets out the mechanisms applied by the NFA for obtaining assurance on the adequacy, effectiveness and efficiency of the NFA risk management, control and governance process.

### **2. The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the principal risks facing the NFA in achieving its policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage the risks efficiently, effectively and economically.

The system of internal control has been in place at the NFA for the year ended 31 March 2011 as outlined above and up to the date of approval of the Annual Accounts, and accords with Treasury Guidance.

### **3. Capacity to Handle Risk**

Risk management in the NFA is led from the top and in line with its Risk Management policy. The Management Board conducts 3 extended risk workshops each year which focus on identifying, evaluating and developing mitigation strategies for the biggest risks to the NFA's business objectives. Prior to the CSR outcome, the NFA's biggest risks related to the failure to achieve the allocation of future CSR funding resulting in discontinuity. Now that ring-fenced funding has been allocated for the next 4 years, the NFA has been able to develop a more balanced view of risk that recognises those with longer-term as well as shorter-term impacts, in line with its business plan and emerging work on a new strategic plan for the counter-fraud community. The NFA's Leadership Team (CEO plus 5 Executive Directors) reviews progress on managing its key risks regularly – and the Management Board (the Leadership Team plus the two Non-Executive Directors) reviews progress on a half-yearly basis. The NFA also embeds risk at the project / activity level and encourages staff to raise risk issues via Directors for senior consideration. An Internal Audit assessment of the NFA's risk management framework was completed in late 2010-11 and provided adequate assurance on our risk

management controls and processes. The NFA Audit Committee has reviewed the NFA's processes for risk management, and is content with them.

The NFA takes calculated risks to enhance performance and to achieve its desired outcomes. At the same time the NFA is a public body, accountable to Parliament and operating in a governance framework set and monitored by the Treasury and its sponsoring departments. This, rightly, requires compliance to the highest standards on legal and financial matters, and the ability to account in detail for decisions and actions.

General risk management guidance is available to staff as part of the NFA's work management policies and procedures, along with the NFA's risk management approach, which details how staff should identify, document and manage risks. Risks to our 2010-11 work were reviewed as part of compiling the NFA's Business Plan, and progress on their management is reported on monthly.

Taking the above into account, the NFA's risk management strategy is to achieve the balance between the need for a robust internal control environment and governance framework and the need to support the Agency's culture, people and partners in achieving the NFA's objectives. Setting and promulgating this overall approach to risk management is the responsibility of the Board through the Risk Management Policy, but it is then implemented throughout the business.

#### **4. The Risk and Control Framework**

Risk management arrangements for the NFA are set out above. The key risks to the NFA are informing the development of its internal controls as well as the programme of internal audit and other assurance work that is required; the latter as directed by Audit Committee. An example during 2010-11 was the strengthening of spending rules within NFA to ensure compliance with the centrally issued spending rules and to manage successfully a significant in-year funding reduction.

The NFA's Management Board regularly reviews a range of internal controls, for example on budgetary management and forecasting, and on key HR and people matters. It also considers specific risks and internal controls in relation to new policies and initiatives. The Director of Programme Delivery, who is the senior (qualified) finance professional in the NFA with responsibility too for all other corporate services, plays a key role in setting and overseeing the operation of an appropriate internal control framework and advising the CEO, Management Board and Audit Committee on the framework for and operation of internal controls. This includes development of an appropriate Corporate Services structure with professionally qualified staff being employed in the key disciplines, and the cascade of documented rules and procedures to managers and staff, supported by appropriate levels of training and development, to support the development and maintenance of a robust "control culture".

The NFA's Audit Committee (which comprises an independent Chair plus the NFA's two Non-Executive Directors, supported by attendees from internal and external audit as well as the CEO and NFA representatives) prioritises the range of internal controls that are to be covered by its annual internal audit plan, which is delivered via a Service Level Agreement by HM Revenue & Customs' internal audit service. The Audit Committee

then discusses the outcome of the reviews and advises the Chief Executive on the level of assurance that can be placed on these controls and on internal controls in general following the submission of the annual assurance statement by the Head of Internal Audit. The implementation of recommended actions arising from these internal audit reports is monitored closely by the Audit Committee.

## **5. Review of Effectiveness**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the deliberations of the Audit Committee, the work of the internal auditors and the senior managers within the NFA who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Management Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place. The NFA's Management Board helps and advises me in ensuring that the aims and objectives set by the Attorney General's Office are fulfilled, and in promoting the efficient and effective use of staff and other resources.

## **6. Internal Control Issues**

The NFA has continued to develop its policies on business continuity and security vetting of staff, cascading documented rules and procedures to managers and staff as required, to support the development and maintenance of the internal control framework. It has also strengthened its Anti-Fraud Policy in the year to further enhance best practice in managing the risk of fraud being committed against the NFA.

The NFA has given consideration to the Cabinet Office guidance on Reporting of Personal Data Related Incidents. There was one data incident this year which was handled in accordance with this guidance.

The secure transfer of Action Fraud's data from the provider to the National Fraud Intelligence Bureau underwent significant development in 2010-11. The NFA is working with the Home Office as its new sponsor department to ensure the accreditation of this technology solution.

The NFA and the Home Office have put good practice project management arrangements in place for transitioning sponsorship over to the Home Office on 1 April 2011. These arrangements are continuing to operate to effect a likely relocation into Home Office accommodation, coupled with IT and corporate systems transitions, during 2011-12. Risks, for example around the costs and timescale of such a relocation, are being actively managed.

The conclusion of the Head of Internal Audit and his team's report on the annual assurance programme delivered during 2010-11 was that although areas of improvement have been identified and recommendations made, none significantly

impacts on the overall adequacy and effectiveness of risk management, control and governance. I can therefore give a reasonable assurance on risk management, control and governance in the NFA.

**Bernard Herdan**  
**Chief Executive and Accounting Officer**  
**National Fraud Authority**  
**28 June 2011**

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

I certify that I have audited the financial statements of the National Fraud Authority ('the Agency') for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Agency; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Chief Executive's Foreword and Management Commentary to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

### **Opinion on Regularity**

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

## **Opinion on the financial statements**

In my opinion:

- the financial statements give a true and fair view, of the state of the Agency's affairs as at 31 March 2011, and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

## **Opinion on other matters**

In my opinion:

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

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

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

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

## **Report**

I have no observations to make on these financial statements.

*Amyas C E Morse  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP*

*4 July 2011*

**Statement of Comprehensive Net Expenditure**

for the year ended 31 March 2011

				2010-11 £'000	2009-10 £'000
	Note	Staff Costs	Other Costs	Income	Total
<b>Programme Costs</b>					
Staff Costs	2	3,490	-	-	3,298
Other programme costs	3	-	1,271	-	2,037
Income	4	-	-	(739)	(1,410)
<b>Totals</b>		<b>3,490</b>	<b>1,271</b>	<b>(739)</b>	-
<b>Net Operating Cost</b>				<b>4,022</b>	<b>3,925</b>

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

The notes on pages 25 to 38 form an integral part of the financial statements.

**Statement of Financial Position**

as at 31 March 2011

	Note	2010-11 £'000	2009-10 £'000
<b>Non-current Assets</b>			
Property, plant and equipment	5	25	90
Intangible assets	6	202	190
Financial assets		-	-
<b>Total Non-current assets</b>		<b>227</b>	<b>280</b>
<b>Current assets:</b>			
Trade and other receivables	7a	1	14
Other current assets	7a	11	5
<b>Total current assets</b>		<b>12</b>	<b>19</b>
<b>Total assets</b>		<b>239</b>	<b>299</b>
<b>Current liabilities</b>			
Trade and other payables	8a	(46)	(37)
Other liabilities	8a	(212)	(435)
<b>Total current liabilities</b>		<b>(258)</b>	<b>(472)</b>
<b>Non-current asset less net current liabilities</b>		<b>(19)</b>	<b>(173)</b>
<b>Non-current liabilities</b>			
Provisions		-	-
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>
<b>Assets less liabilities</b>		<b>(19)</b>	<b>(173)</b>
<b>Taxpayers' equity:</b>			
General fund		(19)	(173)
Revaluation reserve		-	-
<b>Total taxpayers' equity</b>		<b>(19)</b>	<b>(173)</b>

**Dr Bernard Herdan CB**  
**Chief Executive and Accounting Officer**  
**National Fraud Authority**  
**28 June 2011**

The notes on pages 25 to 38 form an integral part of the financial statements.

**Statement of Cash Flows**

for the year ended 31 March 2011

	Note	2010-11 £'000	2009-10 £'000
<b>Cash flows from operating activities</b>			
Net operating cost		(4,022)	(3,925)
Adjustments for non-cash transactions	3	153	40
(Increase)/Decrease in trade and other receivables	7a	7	(14)
<i>Less movements in receivables relating to items not passing through the SoCNE*</i>	7a	-	(5)
Increase/(Decrease) in trade and other payables	8a	(214)	(412)
<i>Less movements in payables relating to items not passing through the SoCNE*</i>	6	(33)	(24)
<b>Net cash outflow from operating activities</b>		<b><u>(4,109)</u></b>	<b><u>(4,340)</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	-	(81)
Purchase of intangible assets	6	(34)	(169)
<b>Net cash outflow from investing activities</b>		<b><u>(34)</u></b>	<b><u>(250)</u></b>
<b>Cash flows from financing activities</b>			
Financing from SFO		4,143	4,590
<b>Net financing</b>		<b><u>4,143</u></b>	<b><u>4,590</u></b>
<b>Net increase/(decrease) in cash</b>		<b><u>-</u></b>	<b><u>-</u></b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b><u>-</u></b>	<b><u>-</u></b>
<b>Cash and cash equivalents at the end of the period</b>		<b><u>-</u></b>	<b><u>-</u></b>

\* SoCNE: Statement of Comprehensive Net Expenditure

The notes on pages 25 to 38 form an integral part of the financial statements.

**Statement of Changes in Taxpayers' Equity**

for the year ended 31 March 2010

	Note	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
<b>Balance at 31 March 2009</b>		(856)	-	(856)
<b>Changes in taxpayers' equity for 2009-10</b>				
Non-cash charges – cost of capital	3	(18)	-	(18)
Non-cash charges – auditor's remuneration	3	36	-	36
Net operating cost for the year		(3,925)	-	(3,925)
<b>Total recognised Income and expense for year ended 31 March 2010</b>		<b>(3,907)</b>	-	<b>(3,907)</b>
Funding from SFO		4,590	-	4,590
<b>Balance at 31 March 2010</b>		<b>(173)</b>	-	<b>(173)</b>

for the year ended 31 March 2011

	Note	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
<b>Balance at 31 March 2010</b>		(173)	-	(173)
<b>Changes in taxpayers' equity for 2010-11</b>				
Non-cash charges – cost of capital		-	-	
Non-cash charges – auditor's remuneration		33	-	33
Net operating cost for the year		(4,022)	-	(4,022)
<b>Total recognised Income and expense for year ended 31 March 2011</b>		<b>(4,162)</b>	-	<b>(4,162)</b>
Funding from SFO		4,143	-	4,143
<b>Balance at 31 March 2011</b>		<b>(19)</b>	-	<b>(19)</b>

The notes on pages 25 to 38 form an integral part of the financial statements.

## Notes to the Agency's Accounts

### 1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2010-11 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

#### 1.1 Accounting convention

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

#### 1.2 Property, plant and equipment and intangible assets

The NFA does not own any freehold land and buildings.

Assets are capitalised as non-current assets if they are intended for use on a continuing basis and their original purchase cost, on an individual basis is £2,000 or more. For IT and furniture expenditure the £2,000 threshold is applied to assets on a grouped basis. Non-current assets are carried at their value in existing use. They are valued on a modified historic cost basis by reference to the Price Index Numbers published by the Office for National Statistics, where not doing so would cause figures to be materially mis-stated.

#### 1.3 Depreciation and Amortisation

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

Furniture and fittings	10 years
Computer Equipment	5 years
Intangible Assets	5 years
IT Development Projects in use	5 years

Assets under construction are not depreciated until they are in use. Assets are depreciated from the month after purchase until the end of the useful lives as stated above.

## **1.4 Income**

NFA received £0.739m from the Home Office through appropriation-in-aid for the delivery of Action Fraud. Any sundry amounts relating to operating income are surrendered to the Consolidated Fund unless HM Treasury has agreed they can be retained.

## **1.5 Foreign Exchange**

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

## **1.6 Administration and programme expenditure**

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

The Serious Fraud Office's estimate, of which the NFA is part, is classified as programme expenditure, and therefore all NFA operating costs come under this classification.

## **1.7 Capital charge**

HM Treasury has eliminated the cost of capital charge for the 2010-11 accounts. In accordance with FReM guidelines, a prior year adjustment to the accounts is required.

The NFA has made a judgment not to restate prior year accounts (2009-10) as the cost of capital carrying amount is not material.

## **1.8 Pensions**

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

## **1.9 Provisions – Other**

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

## **1.10 Operating leases**

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

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

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

### **1.12 Contingent liabilities**

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

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

### **1.13 Areas of judgement and key sources of estimation uncertainty**

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

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

The Agency provides disclosure in Note 1.15 that it has not yet applied a new accounting standard, and known or reasonable estimatable information relevant to assessing the possible impact that initial application of the new standard will have on the Agency's financial statement.

### **1.14 Going Concern Basis**

The activities of the NFA are financed by the Supply Estimate process within the Vote Structure of the Serious Fraud Office (SFO). The SFO also provides transactional services including the payment of the NFA's invoices. The Statement of Financial Position shows net liabilities of £19,000 which relate to accruals plus payables less all assets. The payables and accruals will be paid in full based on the NFA's 2010-11 resource budget. The NFA was allocated funding by the Comprehensive Spending Review 2010, which covers the period 2011-15. Therefore, it is considered appropriate to adopt a going concern basis for the preparation of these financial statements. The accounts have been prepared under a direction issued by HM Treasury, under section 7 of the Government Resources and Accounts Act 2000. Sponsorship of all the NFA's operating activities are transferring to the Home Office as of 1 April 2011

## 1.15 Impending application on newly issued accounting standards not yet effective

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

### New IFRSs

- IFRS 9 – set to replace IAS 39 Financial Instruments

### Major FReM changes for 2011-12

The Agency has reviewed major changes to FReM for 2011-12 and determined that the following will have no significant impact on the Agency's financial statements.

- Chapter 4 – revision to accounting boundaries, where departmental boundary will include NDPBs.

The Agency has identified the following accounting changes as significant.

- Chapter 3 – Estimates from 2011-12 will be based on departmental budgets and reflect the DEL/AME split. The impact for the Agency is £500k and will be recorded under AME for 2011-12 for write off and changes in allowances for irrecoverable debt, provisions and future liabilities, and other non-cash items.
- Chapter 11 – voted Estimates will be net of income and the concept of A-in-A will be removed.

## 2. Staff numbers and related costs

Staff costs comprise:

			2010-11 £000	2009-10 £000
	<b>Permanently employed staff</b>	<b>Others</b>	<b>Total</b>	<b>Total</b>
Wages and salaries	2,303	518	2,821	2,968
Social security costs	210	7	217	123
Other pension costs	438	14	452	207
<b>Total</b>	<b>2,951</b>	<b>539</b>	<b>3,490</b>	<b>3,298</b>

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

For 2010-11, employer's contributions of £452,375.88 were payable to the PCSPS (2009-10 £192,120) at one of four rates in the range 16.7 to 24.3 per cent of pensionable pay,

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

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions of £16,740 for 2010-11 (2009-10 £15,345) were paid to one or more appointed stakeholder pension providers. Employer contributions are age related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. The employer contributes a further 0.8% of pensionable pay to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees. Contributions for 2010-11 were Nil (2009-10: Nil). Contributions due to partnership pension providers at the Statement of Financial Position date were nil (31 March 2010: Nil). Contributions prepaid at that date were Nil (31 March 2010: Nil).

No persons (2009-10: Nil) retired early on ill-health grounds; the total additional accrued pension liabilities in the year were Nil (2009-10: Nil).

### **Average number of persons employed**

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

			<b>2010-11</b>	<b>2009-10</b>
	<b>Permanent staff</b>	<b>Others</b>	<b>Total</b>	<b>Total</b>
<b>Total</b>	<b>48</b>	<b>4.25</b>	<b>52.25</b>	<b>45.5</b>

**3. Other Costs**

	<b>Note</b>	<b>2010-11</b>		<b>2009-10</b>	
		<b>£000</b>		<b>£000</b>	
<b>Non-cash items</b>					
Depreciation and Amortisation	5, 6	120		18	
Write-Off		-		4	
Cost of Capital Charges		-		(18)	
Auditors' Remuneration		33	<b>153</b>	36	<b>40</b>
<b>Other expenditure</b>					
General Administration		77		384	
Consultancy Services		26		146	
Professional Fees		448		597	
Printing and Stationery		15		59	
Recruitment and Training		27		205	
Travel and Subsistence		75		77	
Accommodation		283		275	
Hospitality		5		4	
Other Programme Support Costs		162	<b>1,118</b>	250	<b>1,997</b>
<b>Total</b>			<b>1,271</b>		<b>2,037</b>

**4. Income A-in-A**

	<b>2010-11</b>	<b>2009-10</b>
	<b>£'000</b>	<b>£'000</b>
Action Fraud Funding from the Home Office	<b>739</b>	<b>1,410</b>
	<b>739</b>	<b>1,410</b>

**5. Property, Plant and Equipment**

	<b>Computer Equipment £'000</b>	<b>Furniture and Fittings £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>			
At 1 April 2010	89	17	106
Additions	-	-	-
Disposals	-	-	-
Write-Off	-	-	-
Reclassification	-	-	-
Revaluations	-	-	-
<b>At 31 March 2011</b>	<b>89</b>	<b>17</b>	<b>106</b>
<b>Depreciation</b>			
At 1 April 2010	15	1	16
Charged in year*	53	12	65
Disposals	-	-	-
Write-Off	-	-	-
Reclassification	-	-	-
Revaluations	-	-	-
<b>At 31 March 2011</b>	<b>68</b>	<b>13</b>	<b>81</b>
<b>Net book value at 31 March 2011</b>	<b>21</b>	<b>4</b>	<b>25</b>
<b>Net book value at 31 March 2010</b>	<b>74</b>	<b>16</b>	<b>90</b>

\*Note: Accelerated depreciation has been applied to computer equipment and furniture and fittings following the formal transfer of the NFA's sponsorship from the Attorney General's Office to the Home Office, which will result in the estimated obsolescence of these assets as of 30 June 2011.

	<b>Computer Equipment</b>	<b>Furniture and Fittings</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or valuation</b>			
At 1 April 2009	31	-	31
Additions	64	17	81
Disposals	-	-	-
Write-Off	(6)	-	(6)
Reclassification	-	-	-
Revaluations	-	-	-
<b>At 31 March 2010</b>	<b>89</b>	<b>17</b>	<b>106</b>
<b>Depreciation</b>			
At 1 April 2009	3	-	3
Charged in year	14	1	15
Disposals	-	-	-
Write-Off	(2)	-	(2)
Reclassification	-	-	-
Revaluations	-	-	-
<b>At 31 March 2010</b>	<b>15</b>	<b>1</b>	<b>16</b>
<b>Net book value at 31 March 2010</b>	<b>74</b>	<b>16</b>	<b>90</b>
<b>Net book value at 31 March 2009</b>	<b>28</b>	<b>-</b>	<b>28</b>

None of the assets above were subject to a finance lease.

#### Reconciliation of cash flows to property, plant and equipment additions

	<b>2010-11</b>	<b>2009-10</b>
	<b>£'000</b>	<b>£'000</b>
Total property, plant and equipment additions for the year ended 31 March 2011	-	81
Property, plant and equipment accrual as at 31 March 2011	-	-
Property, plant and equipment accrual as at 31 March 2010	-	-
<b>Cash flows for property, plant and equipment additions</b>	<b>-</b>	<b>81</b>

## 6. Intangible Assets

	<b>Purchased Software Licences £'000</b>	<b>Website costs £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>			
At 1 April 2010	24	169	193
Additions	-	67	67
Disposals	-	-	-
Revaluation	-	-	-
<b>At 31 March 2011</b>	<b>24</b>	<b>236</b>	<b>260</b>
<b>Amortisation</b>			
At 1 April 2010	3	-	3
Charged in year	15	40	55
Disposals	-	-	-
Revaluation	-	-	-
<b>At 31 March 2011</b>	<b>18</b>	<b>40</b>	<b>58</b>
<b>Net book value at 31 March 2011</b>	<b>6</b>	<b>196</b>	<b>202</b>
<b>Net book value at 31 March 2010</b>	<b>21</b>	<b>169</b>	<b>190</b>

Note: Accelerated depreciation has been applied to purchased software licences following the formal transfer of the NFA's sponsorship from the Attorney General's Office to the Home Office, which will result in the estimated obsolescence of these assets as of 30 June 2011.

Website costs comprise a website and Web Reporting Tool for Action Fraud, which has a carrying amount of £196,000. The amortisation period for the Additions in 2010-11 is 5 years and 4 years for the existing assets.

	<b>Purchased Software Licences £'000</b>	<b>Website costs £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>			
At 1 April 2009	-	-	-
Additions	24	169	193
Disposals	-	-	-
Revaluation	-	-	-
<b>At 31 March 2010</b>	<b>24</b>	<b>169</b>	<b>193</b>
<b>Amortisation</b>			
At 1 April 2009	-	-	-
Charged in year	3	-	3
Disposals	-	-	-
Revaluation	-	-	-
<b>At 31 March 2010</b>	<b>3</b>	<b>-</b>	<b>3</b>
<b>Net book value at 31 March 2010</b>	<b>21</b>	<b>169</b>	<b>190</b>
<b>Net book value at 31 March 2009</b>	<b>-</b>	<b>-</b>	<b>-</b>

Note: There were no intangibles prior to 1<sup>st</sup> April 2009.

#### Reconciliation of cash flows to intangible asset additions

	<b>2010-11 £'000</b>	<b>2009-10 £'000</b>
Total intangible asset additions for the year ended 31 March 2011	<b>67</b>	193
Intangible asset accrual as at 31 March 2011	(33)	(24)
<b>Cash flows for intangible assets</b>	<b>34</b>	<b>169</b>

**7. Trade receivable and other current assets****7(a) Analysis by type**

	2010-11	2009-10
	£'000	£'000
<b>Amounts falling due within one year</b>		
Recoverable VAT	-	14
Deposits and advances	12	5
Prepayments and accrued income	-	-
	<u>12</u>	<u>19</u>

**7(b) Intra-Government balances**

	Amounts falling due within one year 31 March 2011 £'000	Amounts falling due within one year 31 March 2010 £'000
Balances with central government bodies	-	14
Balances with local authorities	-	-
Balances with NHS	-	-
<b>Subtotal: Intra-government balances</b>	-	<b>14</b>
Balances with bodies external to government	<u>12</u>	<u>5</u>
<b>Total at 31 March 2011</b>	<u><b>12</b></u>	<u><b>19</b></u>

Note: For funding purposes, the NFA has a line on the Serious Fraud Office's (SFO) estimate, and therefore for accounting purposes the NFA is consolidated into SFO's annual accounts. In drawing down this funding, SFO pays the NFA's invoices directly against its own bank account. This means that the NFA, as a distinct entity, holds no cash or bank assets.

**8. Trade payables and other current liabilities****8(a) Analysis by type**

	2010-11	2009-10
	£'000	£'000
<b>Amounts falling due within one year:</b>		
Other taxation and social security	-	-
Trade payables	46	37
Other payables	-	
Accruals and deferred income	212	435
Pension providers	-	-
	<u>258</u>	<u>472</u>

**8(b) Intra-Government balances**

	Amounts falling due within one year 31 March 2011 £'000	Amounts falling due within one year 31 March 2010 £'000
Balances with central government bodies	61	66
Balances with local authorities	15	11
Balances with NHS	-	16
<b>Subtotal: Intra-government balances</b>	<u>76</u>	<u>93</u>
Balances with bodies external to government	<u>182</u>	<u>379</u>
<b>Total at 31 March 2011</b>	<u>258</u>	<u>472</u>

**9. Capital commitments**

There were no capital commitments at 31 March 2011 (31 March 2010: Nil).

**10. Commitments under leases**

There were no commitments under either operating or finance leases at 31 March 2011 (31 March 2010: Nil).

**11. Other financial commitments**

The NFA has entered into a cancellable contract for the Action Fraud contact centre and the Web Reporting Tool hosting. This contract is revocable with three months notice given. The payment to which the NFA is committed during 2010-11, analysed by the period during which the commitment expires are as follows.

	<b>2010-11</b>	<b>2009-10</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	192	127
Later than one year and not later than five years	-	-
Later than five years	-	-
	<u><b>192</b></u>	<u><b>127</b></u>

## **12. Contingent liabilities**

As at 31 March 2011 there were no contingent liabilities (31 March 2010: Nil).

## **13. Losses and Special payments**

### **13(a) Losses Statement**

There are no material losses during the period which in aggregate exceeded £250,000 (31 March 2010: Nil).

### **13(b) Special Payments**

There were no special payments during the period which in aggregate exceeded £250,000 (31 March 2010: Nil).

## **14. Related-party transactions**

The NFA was, throughout the year, an Executive Agency of the Attorney General's Office. The NFA is funded by the Supply Estimate process and for 2010-11 was financed within the Vote of the Serious Fraud Office, which also provides transactional services and pays the NFA's invoices. In addition, the Home Office provided funding for the Action Fraud project. No key manager or other related party has undertaken any material transactions with the NFA.

## **15. Third-party assets**

The NFA held no monetary assets at 31 March 2011 in interest bearing or other accounts at the end of the reporting period.

## **16. Financial Instruments**

The activities of the NFA are financed by the Supply Estimate Process and for 2010-11 was within the Vote Structure of the SFO. Financial instruments play a more limited role in creating and needing to manage risk than would apply to a non-public sector body. The majority of the financial instruments relate to contracts to buy non-financial items in line with the NFA's expected purchase and usage requirements and the NFA is therefore exposed to little credit liability or market risk.

The NFA does not face significant medium-to-long term financial risks.

## **17. Events after the reporting period**

In accordance with International Accounting Standards 10 'Events after the reporting period', accounting adjustments and disclosures are considered up to the point that the financial statements are authorised for issue. The accounts are regarded as authorised for issue on the same date the Comptroller and Auditor General certifies the accounts.

On 1 April 2011, NFA was transferred into Home Office sponsorship and for 2011-12 onwards is financed through the Supply Estimate and Vote Structure of the Home Office.

### **17(a) Non-adjusting events after the reporting period**

Following Machinery of Government change process, the NFA will operate as an Executive Agency of the Home Office from 1 April 2011.









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