

# **National Fraud Authority Resource Accounts 2009/10**



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

**Resource Accounts**

**2009-2010**

**Presented to the House of Commons pursuant to section 7(2) of  
the Government Resources and Accounts Act 2000**

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## Contents

<b>Resource Accounts</b>	<b>Page</b>
Chief Executive's Foreword	1
Management Commentary	2
Remuneration Report	7
Statement of Accounting Officer's Responsibilities	14
Statement on Internal Control	15
The Certificate and Report of the Comptroller and Auditor General to the House of Commons	18
Financial Statements	20
Notes to the Agency's Accounts	24

## **Chief Executive's Foreword**

The National Fraud Authority (NFA) was established in 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.

During 2008-09 the NFA's primary focus was on designs for the new organisation and creating the first National Fraud Strategy, which was published in March 2009. I took over as Chief Executive in April 2009 and have placed a key focus on the "delivery" of a wide range of actions arising mainly from that strategy, and worked hard to recruit and induct a new leadership team and supporting workforce. We have, since April 2009, established the NFA as a stable, delivery-focused organisation with an increasing degree of knowledge and expertise in counter-fraud work, along with a growing capability to work with partners to solve problems and catalyse effective action.

This report sets out the way in which we have spent the NFA's £4.3m funding, plus £1.4m grant funding from the Home Office to set up and operate Action Fraud (the National Fraud Reporting Centre) during 2009-10. This report briefly summarises the achievements and progress we, working alongside our partners, have made in that time. The most significant achievements this year have been: setting up an effective counter mortgage fraud forum, launching the Action Fraud call centre and website and collating more accurate fraud loss measurement data. We spent within our overall funding level and achieved effective delivery against our wide range of planned projects and activities. More detail on this work is set out in our "Statement of Achievements 2009-10" Report that was published in June 2010 and can be found on our website.

The NFA staff, our key resource, have played a key 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 enabled the significant progress we have made. We have also during the year significantly developed our infrastructure; relocating to more appropriate open-plan premises and developing our IT and support infrastructure alongside this. 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 2010-11 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. Alongside this, we intend to make the case for continued funding into the next Comprehensive Spending Review period so that a longer-term strategy to reduce the harm from fraud can continue to be delivered.

**Dr Bernard Herdan CB**  
**Chief Executive and Accounting Officer**  
**National Fraud Authority**  
**12 July 2010**

## MANAGEMENT COMMENTARY

The creation of the National Fraud Authority in 2008-09 formed part of the Government's national response to combating fraud following a key recommendation in the Fraud Review 2006 that strategic oversight and coordination should be provided across the counter-fraud landscape with the inclusion of a fraud measurement function to enable proper measurement of the scale and nature of fraud. During 2009-10 the NFA also took on responsibility for setting up and operating the National Fraud Reporting Centre (now called Action Fraud) which, again, was a key recommendation arising from the Fraud Review.

During 2008-09, the NFA established itself as a new Executive Agency within the Attorney General's Office, whilst being funded through the Serious Fraud Office's (SFO) estimate and therefore with the SFO's Director as the Principal Accounting Officer for the NFA. The key deliverable in 2008-09 was the publication of the first National Fraud Strategy following extensive consultation with stakeholders. The four strategic priorities set out in the strategy were:

- building and sharing knowledge about fraud;
- tackling the most serious and harmful fraud threats;
- disrupting and punishing more fraudsters while also improving support for their victims; and
- improving the nation's long-term capability to prevent fraud.

The NFA's focus during 2009-10 has been on the delivery of key actions arising from the National Fraud Strategy, which were reflected in its Business Plan for 2009-10, working alongside a wide range of partners across the counter-fraud landscape. Our main achievements in this period have been:

- providing a clearer picture of the scale of economic harm to the UK from fraud, establishing the NFA Annual Fraud Indicator and, in January 2010, improving the accuracy of the estimate of the true cost of fraud as over £30bn per annum;
- creating and leading multi-agency task forces on identity crime and information sharing, to identify and start resolving key problems and barriers to success;
- jointly commissioning, with the Association of Chief Police Officers (ACPO) Economic Crime Portfolio, the widest research yet on the impact of fraud on victims. The research revealed that the support offered to fraud victims did not meet their needs. As a direct result, the NFA has worked with Victim Support and others to pilot new arrangements to radically improve their experience;
- delivering Action Fraud, the national fraud reporting centre, offering individuals and small and medium-sized businesses the opportunity to report fraud and gain advice and support to avoid re-victimisation. Action Fraud was launched in October 2009 and was rolled-out nationally by the end of March 2010. Calls to Action Fraud have risen to around 2,000 per month and the reports made by victims have already helped identify a significant number of frauds warranting police investigation;
- acting as a catalyst for specific intervention activity to reduce the harm caused by major fraud threats including mortgage fraud and mass marketing fraud;
- establishing, with the Serious Fraud Office, a strategic forum and operations board for the counter-fraud community. This has generated performance intelligence which

will be used to inform a review of the effectiveness of current fraud enforcement arrangements;

- making a major contribution to the Cabinet Office's review of organised crime 'Extending Our Reach' and highlighting the link between fraud and serious organised crime;
- leading the cross-Government Fraud Task Force identifying ways of reducing fraud in the public sector, in response to the Smarter Government White Paper.

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

A Framework Document is in place between the Attorney General and the NFA which sets out the responsibilities of the NFA and the key policies and delegations within which it operates. The Attorney General's Office provides 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 also 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 resource accounts.

### **The NFA Management Board**

The NFA Management Board was set up in April 2009 and is chaired by Dr Bernard Herdan CB, Chief Executive. The Board comprises the CEO, two non-executive directors, five executive directors and the Head of HR. Board meetings are held monthly.

The Board has responsibility for establishing the NFA's strategic direction for approval by the Attorney General, including its mission, vision, values, strategic objectives and corporate governance arrangements. It also oversees the management of staff, finance, 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 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.

### **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 Information Commissioner's Office. The NFA is satisfied that there have been no such incidents this year.

### **Business Plan**

The NFA has produced Business Plans and 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 NFA and its risk management arrangements are set out in the Statement on Internal Control.

### **Future Developments**

The NFA Business Plan for 2010-11 was published in March 2010, and 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 arrangements.

During 2009-10, the NFA recruited up to a staffing level of 54 full time equivalents comprising largely permanent staff, reducing the former reliance on interim and short-term seconded staff.

### **Relationships with Key Stakeholders**

The Agency has a good working relationship with its sponsoring department and its many partners in the public and private sectors, and is highly committed to maintaining and developing strong stakeholder relationships, which is vital for achieving success against the National Fraud Strategy vision and objectives. At the end of the financial year, the NFA ran a survey of its stakeholders and received a lot of positive feedback as well as some areas for improvement.

### **Diversity**

The NFA operates an Equal Opportunities policy in all areas including recruitment. It encourages active involvement from all staff members and continues to engender positive two-way communication channels including regular whole agency briefings and workshops.

### **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 sick days per permanent member of NFA staff during the year was 2.92 days.

### **Financial Instruments**

Details about the NFA's policies regarding financial instruments are included in note 17 to these accounts.

### **Pensions**

Details about pension arrangements are included in note 3 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>

## **Social/Community Issues**

The Agency's work supports communities and vulnerable adults in particular, by helping reduce the harm caused to them by 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 £173k 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 2007, which covers the period 2008-11. 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(2) of the Government Resources and Accounts Act 2000.

## **Payment of Suppliers**

The SFO pay supplier invoices on behalf of the NFA. The NFA policy for 2009-10 was to pay undisputed invoices within 30 days of receipt. 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. The legal requirement remains at 30 days. 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 18 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 £36,000 (2008-09: £25,000). The notional fee for 2009-10 includes £3,000 in respect of the audit of the IFRS based shadow accounts for 2008-09, which have been used as the comparatives in the IFRS based resource accounts.

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**  
**12 July 2010**

## **REMUNERATION REPORT**

### **Policy**

The Attorney General appoints the Chief Executive and sets their 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, he succeeded Sandra Quinn who was the Interim Chief Executive of the NFA.

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

The previous Chief Executive initially appointed interim staff. These senior appointments included Sean Byrne, Head of Prevention & Threats (recruited on secondment from the Treasury), Mike Schindler, Chief Operating Officer and Adam Morris, Head of Engagement, who were recruited through recruitment agencies.

Under the current Chief Executive, four permanent Directors were appointed. They are Mike Haley, Stephen Harrison, Edward Nkune, and Peter Wilson. Alistair Cook, Director of Programme Delivery, was recruited on a fixed term contract.

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 2009-10 (audited):

Officials	2009-10		2008-09	
	Salary including performance pay (Fees for Non-Executive Directors)	Benefits in kind (to the nearest £100)	Salary including performance pay (Fees for Non-Executive Directors)	Benefits in kind (to the nearest £100)
	£'000		£'000	
Bernard Herdan* <i>Chief Executive</i> (From 1 April 09)	125-130	-	-	-
Edward Nkune, <i>Director of Knowledge</i> (From 1 April 09)	70-75	-	-	-
Stephen Harrison <i>Director of Enforcement</i> (From 7 September 09)	40-45 (fye 80-85)	-	-	-
Mike Haley <i>Director of Intervention</i> (From 14 September 09)	40-45 (fye 80-85)	-	-	-
Peter Wilson <i>Director of Engagement</i> (From 14 September 09)	55-60 (fye 115-120)	-	-	-
Alison Porter <i>Non-Executive Director</i> (From 1 April 09)	20-25	-	-	-
Stephen Barrett <i>Non-Executive Director</i> (From 1 April 09)	15-20	-	-	-
Sean Byrne** <i>Head of Prevention &amp; Threats</i> (To 31 August 09)	20-25 (fye 55-60)	-	75-80	-
Michael Schindler*** <i>Chief Operating Officer</i> (To 11 September 09)	80-85	-	45-50	-
Adam Morris*** <i>Head of Engagement</i> (To 30 September 09)	80-85	-	140-145	-
Alistair Cook*** <i>Director of Programme Delivery</i> (From 1 May 09)	105-110	-	-	-

\* Salary is inclusive of a performance bonus for the first six months of the year. Performance bonus for the last six months of the year has not yet been agreed.

\*\* On secondment from HM Treasury

\*\*\* Contract staff - These are agency staff who are paid on a daily basis therefore we are unable to disclose a full year equivalent

'fye' - Full year equivalent

Disclosure of salary, pension and compensation information for 2009-10 (audited):

Officials	Accrued pension at pension age 31/3/10 and related lump sum <u>£'000</u>	Real increase in pension and related lump sum at pension age <u>£'000</u>	CETV at 31 March 2009 <u>£'000</u>	CETV at 31 March 2010 <u>£'000</u>	Real increase in CETV <u>£'000</u>	Employer Contribution to partnership pension account <u>Nearest £100</u>
Bernard Herdan <i>Chief Executive</i> (From 1 April 09)	-	-	-	-	-	15,300
Edward Nkune <i>Director of Knowledge</i> (From 1 April 09)	10-15 plus lump sum of 40-45	5-7.5 plus lump sum of 15-17.5	114	190	67	-
Stephen Harrison <i>Director of Enforcement</i> (From 7 September 09)	20-25 plus lump sum of 60-65	0-2.5 plus lump sum of 5-7.5	302	343	35	-
Mike Haley <i>Director of Intervention</i> (From 14 September 09)	25-30	2.5-5	345	387	33	-
Peter Wilson <i>Director of Engagement</i> (From 14 September 09)	5-10	0-2.5	52	75	19	-
Alison Porter <i>Non-Executive Director</i> (From 1 April 09)	-	-	-	-	-	-
Stephen Barrett <i>Non-Executive Director</i> (From 1 April 09)	-	-	-	-	-	-
Sean Byrne <i>Head of Prevention &amp; Threats</i> (To 31 August 09)	5-10 plus lump sum of 15-20	0-2.5 plus lump sum of 0-2.5	64	72	6	-
Michael Schindler <i>Chief Operating Officer</i> (To 11 September 09)	-	-	-	-	-	-

Disclosure of salary, pension and compensation information for 2009-10 (audited):

Officials	Accrued pension at pension age 31/3/10 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2009	CETV at 31 March 2010	Real increase in CETV	Employer Contribution to partnership pension account
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>Nearest £100</u>
Adam Morris <i>Head of Engagement (To 30 September 09)</i>	-	-	-	-	-	-
Alistair Cook <i>Director of Programme Delivery (From 01 May 09)</i>	-	-	-	-	-	-

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.

## **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**

Civil Service appointments are made in accordance with the Civil Service Commissioner's Recruitment Code, which requires appointments to be on merit on the basis of fair and open competition, but also includes the circumstances when appointments may otherwise be made.

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 Commissioners can be found at [www.civilservicecommissioners.gov.uk](http://www.civilservicecommissioners.gov.uk).

## **Salary**

Salary includes gross salary, performance pay or bonuses, overtime, reserved rights to London weighting or London allowances, recruitment retention allowances, private office allowance and any other allowances to the extent that they were 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 received 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 changes in the Retail Prices Index (RPI). 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 their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March 2010) 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 RPI. 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 [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

### **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 £15,345 (2008-09: Nil) 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**  
**12 July 2010**

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

Under section 7(2) 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, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Principal 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.

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 include 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.

## **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 departmental 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 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 NFA for the year ended 31 March 2010 as outlined above and up to the date of approval of the annual report and accounts, and accords with Treasury Guidance.

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

Risk management in the NFA is led from the top. The Management Board, including two Non-Executive Directors, has during the year held three specific risk workshops to identify the key strategic risks to the NFA and assess how these risks are evolving over time, and to ensure that plans are in place to evaluate and manage these risks. Periodic reviews on the progress of mitigation action are held within the main Management Board meetings. Individual projects and activities that the NFA is running have their own project specific risk registers, developed in line with the NFA risk management policy, which are reviewed by the appropriate governance boards or committees. The NFA Audit Committee has reviewed NFA's processes for risk management, and is content with them.

The NFA takes calculated risks to enhance investment performance and to achieve its desired outcomes. At the same time 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 to be able to account in detail for decisions and actions. General risk management guidance is available to staff as part of the NFA's work management toolkit, along with 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 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. A key example here is the work the NFA has done during 2009-10 to develop Action Fraud as the National Fraud Reporting Centre and the associated need to ensure robust controls around personal data security, both for the storage of data and its transmission to the National Fraud Intelligence Bureau run by the City of London Police. Extensive work was undertaken to develop appropriate controls and to have them assured by the Attorney General's Office which is the Senior Information Risk Owner covering the NFA as well as itself.

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 such as the progress of recruitment against the plan. 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 executive 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 Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place. The NFA's 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. Significant Internal Control Problems**

The NFA is a new, small and evolving organisation. As such the risk and internal control framework has been developing throughout 2009-10 from an embryonic state in 2008-09. The NFA has applied risk and priority thinking to the creation and development of internal controls, so for example a major focus in the latter months of the year was on developing robust controls around Action Fraud data security. The NFA continues to build more sophisticated procedures in areas such as disaster recovery, business continuity planning and security vetting of staff.

Beyond the normal business need to prioritise the development of controls, applying risk considerations to the order in which internal controls need to be built, there are no significant internal control problems to report.

The conclusion of the Head of Internal Audit and his team's report on the annual assurance programme delivered during 2009-10 was that although areas of improvement have been identified and recommendations made, none significantly impact on the overall adequacy and effectiveness of risk management, control and governance. I can therefore give a full assurance on risk management, control and governance in the NFA.

**Bernard Herdan**  
**Chief Executive and Accounting Officer**  
**National Fraud Authority**  
**12 July 2010**

## **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 Authority) for the year ended 31 March 2010 under the Government Resources and Accounts Act 2000. These comprise the Operating Cost Statement, 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 Chief Executive and auditor**

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

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

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

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

### **Opinion on Regularity**

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

### **Opinion on the financial statements**

In my opinion:

- the financial statements give a true and fair view, of the state of the Authority's affairs as at 31 March 2010, and of the net operating cost, changes in taxpayers' equity and cash flows 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 are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

### **Report**

I have no observations to make on these financial statements.

*Amyas C E Morse  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP  
16 July 2010*



## Operating Cost Statement

for the year ended 31 March 2010

				2009-10	Restated
				£'000	2008-09
	Note	Staff Costs	Other Costs	Income	Total
<b>Programme Costs</b>					
Staff Costs	3	3,298	-	-	1,459
Other programme costs	4	-	2,037	-	936
Income	5	-	-	(1,410)	-
<b>Totals</b>		<b>3,298</b>	<b>2,037</b>	<b>(1,410)</b>	<b>-</b>
<b>Net Operating Cost</b>				<b>3,925</b>	<b>2,395</b>

All activities are continuing.

The notes on pages 24 to 37 form an integral part of the financial statements.

## Statement of Financial Position

as at 31 March 2010

	Note	2009-10 £'000	Restated 2008-09 £'000
<b>Non-Current Assets</b>			
Property, plant and equipment	6	90	28
Intangible assets	7	190	-
Financial assets		-	-
<b>Total Non-Current assets</b>		<b>280</b>	<b>28</b>
<b>Current Assets:</b>			
Trade and other receivables	8a	14	-
Other current assets	8a	5	-
<b>Total Current assets</b>		<b>19</b>	<b>-</b>
<b>Total Assets</b>		<b>299</b>	<b>28</b>
<b>Current Liabilities</b>			
Trade and other payables	9a	(37)	(313)
Other liabilities	9a	(435)	(571)
<b>Total Current Liabilities</b>		<b>(472)</b>	<b>(884)</b>
<b>Non current asset less net current liabilities</b>		<b>(173)</b>	<b>(856)</b>
<b>Non-Current Liabilities</b>			
Provisions		-	-
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>
<b>Assets less liabilities</b>		<b>(173)</b>	<b>(856)</b>
<b>Taxpayers' Equity:</b>			
General fund		(173)	(856)
Revaluation reserve		-	-
<b>Total taxpayers' equity</b>		<b>(173)</b>	<b>(856)</b>

**Dr Bernard Herdan CB**  
**Chief Executive and Accounting Officer**  
**National Fraud Authority**  
**12 July 2010**

The notes on pages 24 to 37 form an integral part of the financial statements.

## Statement of Cash Flows

for the year ended 31 March 2010

	Note	2009-10 £'000	2008-09 £'000
<b>Cash flows from operating activities</b>			
Net operating cost		(3,925)	(2,395)
Adjustments for non-cash transactions	4	40	13
(Increase)/Decrease in trade and other receivables	8a	(14)	-
<i>Less movements in receivables relating to items not passing through the OCS</i>	8a	(5)	-
Increase/(Decrease) in trade and other payables	9a	(412)	884
<i>Less movements in payables relating to items not passing through the OCS</i>	7	(24)	-
<b>Net cash outflow from operating activities</b>		<b><u>(4,340)</u></b>	<b><u>(1,498)</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(81)	(31)
Purchase of intangible assets	7	(169)	-
<b>Net cash outflow from investing activities</b>		<b><u>(250)</u></b>	<b><u>(31)</u></b>
<b>Cash flows from financing activities</b>			
Financing from SFO		4,590	1,529
<b>Net financing</b>		<b><u>4,590</u></b>	<b><u>1,529</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>

The notes on pages 24 to 37 form an integral part of the financial statements.

## Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2009

	Note	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
<b>Balance at 31 March 2008</b>		-	-	-
<b>Changes in taxpayers' equity for 2008-09</b>				
Non-cash charges – cost of capital	4	(15)	-	(15)
Non-cash charges – auditor's remuneration	4	25	-	25
Net operating cost for the year		(2,395)	-	(2,395)
<b>Total recognised Income and expense for year ended 31 March 2009</b>		<b>(2,385)</b>	-	<b>(2,385)</b>
Funding from SFO		1,529	-	1,529
<b>Balance at 31 March 2009</b>		<b>(856)</b>	-	<b>(856)</b>

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	4	(18)	-	(18)
Non-cash charges – auditor's remuneration	4	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>

The notes on pages 24 to 37 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 2009-10 *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 Prior Year Comparatives

The NFA was officially launched on 1 October 2008 as an executive agency of the Attorney General's Office. It was funded for the whole of 2008-09 and therefore the accounts covered the whole of the financial year, covering also the activities and spend between April and October 2008 that was involved in setting up the agency. No activities or spend occurred in the prior year (2007-08) and so no comparative figures for 2007-08 exist nor are disclosed in these accounts.

#### 1.3 Notional costs

The NFA has received the following goods or services at no charge.

<u>Item</u>	<u>Notional cost</u>	<u>Received from</u>
Staff	£18,000	FSA
<b>Total</b>	<b>£18,000</b>	

*Financial Service Authority (FSA)*

The notional costs are not recognised in the operating cost statement as they were supplied as a start up initiative to the NFA. The notional cost represents a replacement salary cost for one secondee to the NFA from FSA from April 2009 to September 2009.

#### 1.4 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.

### **1.5 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.

### **1.6 Cash and cash equivalents**

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 resource 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.

### **1.7 Income**

NFA received £1.4m 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.

### **1.8 Foreign Exchange**

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

### **1.9 Administration and programme expenditure**

The Operating Cost Statement 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 NFA is part, is classified as programme expenditure, and therefore all NFA operating costs come under this classification.

### **1.10 Capital charge**

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

- (a). property, plant and equipment and intangible non current assets where the cost of capital charge is based on opening values, adjusted pro rata for in-year:
  - additions at cost;
  - disposals as valued in the opening Statement of Financial Position (plus any subsequent capital expenditure prior to disposal);
  - impairments at the amount of the reduction of the opening Statement of Financial Position (plus any subsequent capital expenditure); and
  - depreciation of property, plant and equipment and amortisation of intangible non current assets.
- (b). cash balances with the Office of the Paymaster General and amounts due to the Consolidated Fund.

### **1.11 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.

### **1.12 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.

### **1.13 Operating leases**

Operating lease rentals will be charged to the Operating Cost Statement in equal amounts over the lease term.

### **1.14 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.

### **1.15 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.

### **1.16 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.



## 2. First-Time adoption of IFRS

	General Fund £'000	Revaluation Reserve £'000
Taxpayers' equity at 31 March 2009 under UK GAAP	(855)	-
Adjustment for:		
<i>Accrual for Permanent Staff Holiday Pay entitlement IAS 19</i>	(1)	-
Taxpayers' equity at 1 April 2009 Under IFRS	<u>(856)</u>	<u>-</u>
		<b>£'000</b>
Net operating cost for 2008-09 under UK GAAP		2,394
Adjustment for:		
<i>Increase/(Decrease) in Accrual for Permanent staff Holiday Pay Entitlements</i>		1
Net operating cost for 2008-09 under IFRS		<u>2,395</u>

Note: there have been no changes in relation to the statement of cash flows in regards to cash and cash equivalents.

## 3. Staff numbers and related costs

Staff costs comprise:

			2009-10 £000	Restated 2008-09 £000
	<b>Permanently employed staff</b>	<b>Others</b>	<b>Total</b>	<b>Total</b>
Wages and salaries	1,078	1,890	2,968	1,422
Social security costs	111	12	123	11
Other pension costs	175	32	207	26
<b>Total</b>	<u><b>1,364</b></u>	<u><b>1,934</b></u>	<u><b>3,298</b></u>	<u><b>1,459</b></u>

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 resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2009-10, employer's contributions of £192,120 were payable to the PCSPS (2008-09 £26,358) 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. From 2010-11, the rates will be in the range of 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2009-10 to be paid when the member retires and not the benefits paid during this period to the existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions of £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 2009-10 were Nil (2008-09: Nil).

Contributions due to partnership pension providers at the Statement of Financial Position date were nil (31 March 2009: Nil) .Contributions prepaid at that date were Nil (31 March 2009: Nil)

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

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

			<b>2009-10</b>	<b>2008-09</b>
	<b>Permanent staff</b>	<b>Others</b>	<b>Total</b>	<b>Total</b>
<b>Total</b>	<b>22.1</b>	<b>23.4</b>	<b>45.5</b>	<b>18.1</b>

Note: As at 31 March 2010, there were 38 permanent staff in the organisation.

#### 4. Other Programme Costs

	Note	2009-10		2008-09	
		£000		£000	
<b>Non-cash items</b>					
Depreciation and amortisation	6, 7	18		3	
Write-Off		4		-	
Cost of Capital Charges		(18)		(15)	
Auditors' remuneration		36	<b>40</b>	25	<b>13</b>
<b>Other expenditure</b>					
General Administration		384		49	
Consultancy Services		146		657	
Professional Fees		597		-	
Printing and Stationery		59		47	
Recruitment and Training		205		63	
Travel and Subsistence		77		7	
Accommodation		275		-	
Hospitality		4		4	
Other programme support costs		250	<b>1,997</b>	96	<b>923</b>
<b>Total</b>			<b>2,037</b>		<b>936</b>

#### 5. Income A-in-A

	2009-10	2008-09
	£'000	£'000
Action Fraud Funding*	<b>1,410</b>	-
	<b>1,410</b>	-

\*Action Fraud Funding from the Home Office

## 6. Property, Plant and Equipment

	Computer Equipment £'000	Furniture and Fittings £'000	Total £'000
<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>

	<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 2008	-	-	-
Additions	31	-	31
Disposals	-	-	-
Write-Off	-	-	-
Reclassification	-	-	-
Revaluations	-	-	-
<b>At 31 March 2009</b>	<b>31</b>	<b>-</b>	<b>31</b>
<b>Depreciation</b>			
At 1 April 2008	-	-	-
Charged in year	3	-	3
Disposals	-	-	-
Write-Off	-	-	-
Reclassification	-	-	-
Revaluations	-	-	-
<b>At 31 March 2009</b>	<b>3</b>	<b>-</b>	<b>3</b>
<b>Net book value at 31 March 2009</b>	<b>28</b>	<b>-</b>	<b>28</b>
<b>Net book value at 31 March 2008</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

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

	<b>2009-10</b>	<b>2008-09</b>
	<b>£'000</b>	<b>£'000</b>
Total property, plant and equipment additions for the year ended 31 March 2010	81	31
Property, plant and equipment accrual as at 31 March 2010	-	-
Property, plant and equipment accrual as at 31 March 2009	-	-
<b>Cash flows for property, plant and equipment additions</b>	<b>81</b>	<b>31</b>

## 7. Intangible Assets

	Purchased Software Licences £'000	Website costs £'000	Total £'000
<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 1st April 2009.

Website costs comprise of a Web Reporting Tool for Action Fraud which has a carrying amount of £169,000 and a remaining amortisation period of 5 years.

### Reconciliation of cash flows to intangible asset additions

	2009-10 £'000	2008-09 £'000
Total intangible asset additions for the year ended 31 March 2010	193	-
Intangible asset accrual as at 31 March 2010	(24)	-
Intangible asset accrual as at 31 March 2009	-	-
<b>Cash flows for intangible assets</b>	<b>169</b>	<b>-</b>

## 8. Trade receivable and other current assets

### 8(a) Analysis by type

	2009-10 £'000	2008-09 £'000
<b>Amounts falling due within one year</b>		
Recoverable VAT	14	-
Deposits and advances	5	-
Prepayments and accrued income	-	-
	<u>19</u>	<u>-</u>

### 8(b) Intra-Government balances

	Amounts falling due within one year 31 March 2010 £'000	Amounts falling due within one year 31 March 2009 £'000
Balances with central government bodies	14	-
Balances with local authorities	-	-
Balances with NHS	-	-
<b>Subtotal: Intra-government balances</b>	<b>14</b>	<b>-</b>
Balances with bodies external to government	5	-
<b>Total at 31 March 2010</b>	<b><u>19</u></b>	<b><u>-</u></b>

## 9. Trade payables and other current liabilities

### 9(a) Analysis by type

	2009-10 £'000	Restated 2008-09 £'000
<b>Amounts falling due within one year:</b>		
Other taxation and social security	-	-
Trade payables	37	313
Other payables	-	-
Accruals and deferred income*	435	571
Pension providers	-	-
	<u>472</u>	<u>884</u>

\*Amount relating to capital accruals is £24,000.

## 9(b) Intra-Government balances

	Amounts falling due within one year 31 March 2010 £'000	Restated Amounts falling due within one year 31 March 2009 £'000
Balances with central government bodies	66	126
Balances with local authorities	11	-
Balances with NHS	16	-
<b>Subtotal: Intra-government balances</b>	<b>93</b>	<b>126</b>
Balances with bodies external to government	379	758
<b>Total at 31 March 2010</b>	<b>472</b>	<b>884</b>

## 10. Capital commitments

There were no capital commitments at 31 March 2010 (31 March 2009: Nil).

## 11. Commitments under leases

There were no commitments under either operating or finance leases at 31 March 2010 (31 March 2009: Nil).

## 12. 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 2009-10, analysed by the period during which the commitment expires are as follows.

	2009-10 £'000	2008-09 £'000
Not later than one year	127	-
Later than one year and not later than five years	-	-
Later than five years	-	-
	<b>127</b>	<b>-</b>



### **13. Contingent liabilities**

As at 31 March 2010 there were no contingent liabilities (31 March 2009: Nil).

### **14. Losses and Special payments**

#### **14(a) Losses Statement**

There are no material losses during the period which in aggregate exceeded £250,000 (31 March 2009: Nil).

#### **14(b) Special Payments**

There were no special payments during the period which in aggregate exceeded £250,000 (31 March 2009: Nil).

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

The NFA is an Executive Agency of the Attorney General's Office. The NFA is funded by the Supply Estimate process and sits 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.

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

The NFA held no monetary assets at 31 March 2010 in interest bearing or other accounts at the end of the reporting period.

### **17. Financial Instruments**

The activities of the NFA are financed by the Supply Estimate Process and sit 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.

### **18. 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.

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

As part of the Government-wide process of identifying £6 billion cost reductions in 2010-11, the Action Fraud funding provided to NFA from the Home Office has been cut significantly. This impact has been combined with new Government expenditure rules including a freeze on all marketing and advertising spend which means the ability to

publicise the service is more limited. However, NFA has prepared plans for continuing to run the service in the year ahead at a lower level of activity than was previously anticipated.

It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of pension schemes that the NFA provides to employees.





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