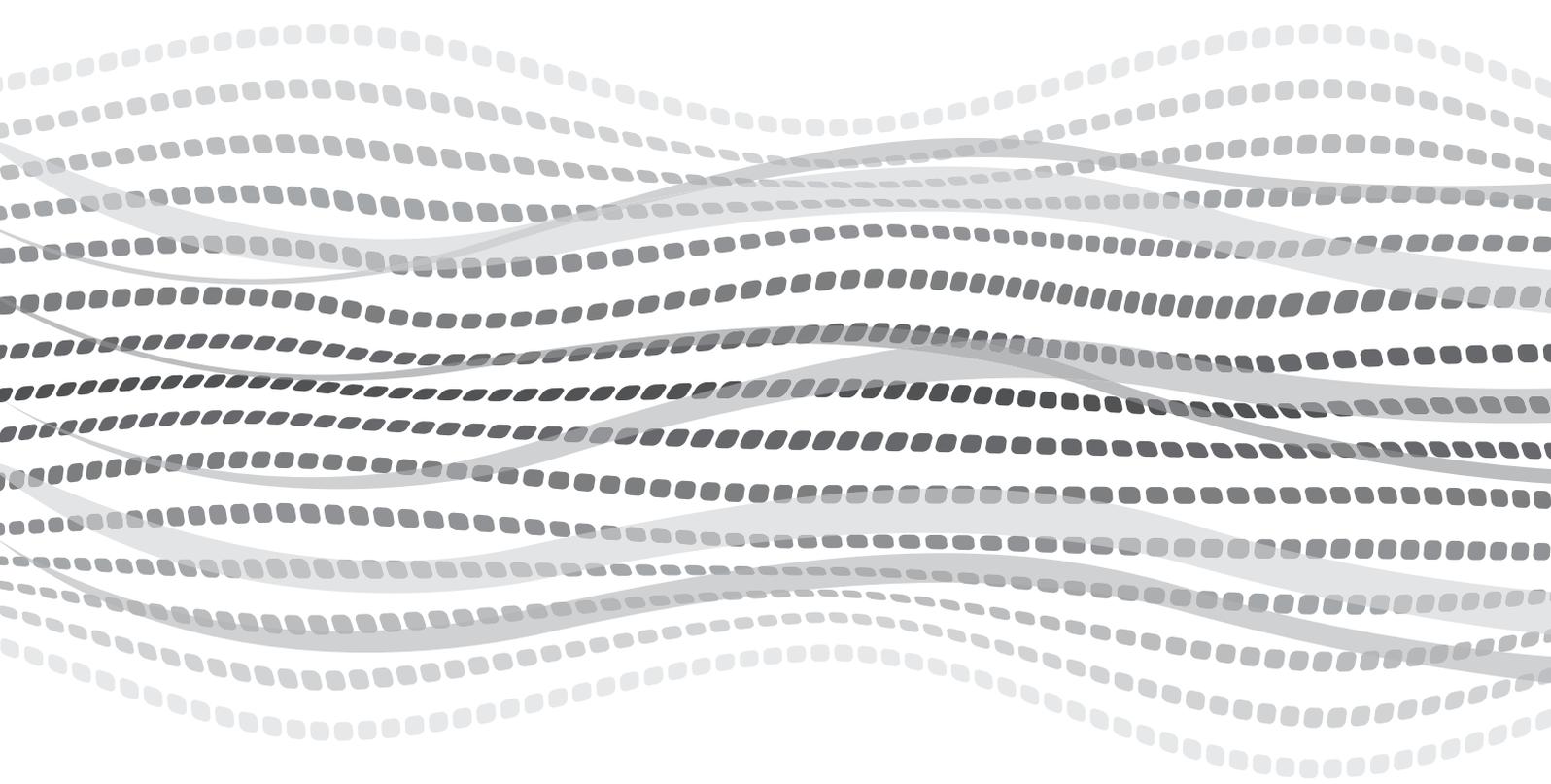


Serious Organised Crime Agency
Annual Report and Accounts
2011/12



SOCA is a Home Office Non-Departmental Public Body

Serious Organised Crime Agency
Annual Report and Accounts 2011/12

Annual Report presented to Parliament pursuant to Section 7(6) of the Serious Organised Crime and Police Act 2005.

Accounts presented to Parliament pursuant to Section 20(4) (b) of the Serious Organised Crime and Police Act 2005.

Ordered by the House of Commons to be printed on 4 July 2012.

HC 291 London: The Stationery Office

£17.50

SOCA ANNUAL REPORT AND ACCOUNTS 2011/12



© Crown copyright 2012

You may re-use this information (excluding logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence, visit <http://www.nationalarchives.gov.uk/doc/open-government-licence/> or e-mail: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

Any enquiries regarding this publication should be sent to us at SOCA, PO Box 8000, London, SE11 5EN

This publication is available for download at www.official-documents.gov.uk.

This document is also available from our website at www.soca.gov.uk.

ISBN: 9780102977677

Printed in the UK by The Stationery Office Limited on behalf of the Controller of Her Majesty's Stationery Office.

ID P002489188 06/12 21257

Printed on paper containing 75% recycled fibre content minimum.

Foreword by the Home Secretary



Over the past year SOCA has continued to make a significant contribution to the fight against organised crime. As this annual report sets out, SOCA's efforts have led to fewer drugs on our streets, fewer assets in the hands of criminals and more organised criminals locked up in prison. SOCA also, of course, has an impact against cyber crime, human trafficking and fraud. I am pleased with the work SOCA has done over the past year, taking on more responsibility even as it makes savings. In particular, I would highlight the positive strides made on asset recovery and financial investigation over the past year.

The Government is keen to build on SOCA's success and to further enhance our impact against organised criminals. Last year, we published the first ever cross-Government organised crime strategy, called Local to Global. The strategy sets out how organised crime has a local impact and a global reach, that requires a new type of law enforcement response. Highly visible neighbourhood policing is still vital, but it is not capable of dealing with cyber crime. Arresting drug dealers is important, but alone it cannot stop the flow of drugs from overseas.

That is why SOCA is at the heart of our plans to create a new National Crime Agency. The NCA will work across different police forces and agencies to fight serious and organised crime, defend our borders, tackle economic and cyber crime, and protect children and vulnerable people.

As well as continuing to make a significant contribution to the fight against organised crime, SOCA's work over the past year has been central to preparations for the NCA becoming operational. Alongside new powers, the NCA will also use its single national intelligence picture to prioritise, coordinate and task action against organised criminals. So SOCA's work on the Organised Crime Coordination Centre, for example, has been vital to the successful establishment of the NCA.

SOCA's support has also been invaluable over the last year in helping deliver the vision of the NCA as a powerful body of operational crime fighters. The recent appointments from SOCA to the NCA senior team represent a significant step towards making the NCA a reality. I welcome the professionalism and experience that all SOCA staff will bring to bear against organised crime as part of the new agency. I know over the coming year they will all want to do even more to help make our communities safer and to put more organised criminals behind bars.

A handwritten signature in black ink, appearing to read 'Theresa May', with a horizontal line above it.

RT. HON. THERESA MAY, MP



Contents

Foreword by the Home Secretary	3
Joint Statement by the Chair and Director General	7
Introduction	9
Part One: Success in 2011/12	11
▶ Drugs	11
▶ Infrastructure and Change	14
▶ Criminal finances and profits	15
▶ Cyber Crime	17
▶ Firearms	18
▶ Organised Immigration Crime	19
▶ Fraud	20
▶ Lifetime management and tackling enablers	21
▶ Organised Crime Group Mapping	22
▶ Scotland and Northern Ireland	23
▶ Working with and in support of partners	24
▶ Specialist Support	25
Part Two: Conclusions and next steps	27
Part Three: Statement of Accounts 2011/12	31
▶ Management Commentary	33
▶ SOCA Sustainability Report	38
▶ Remuneration Report	46
▶ Statement of the Accounting Officer's Responsibility	49
▶ Governance Statement	50
▶ The Certificate and Report of the Comptroller and Auditor General	63
▶ Statement of Comprehensive Net Expenditure	65
▶ Statement of Financial Position	66
▶ Statement of Cash Flows	67
▶ Statement of Changes in Taxpayers' Equity	68
▶ Notes to the Accounts	69
Appendix: Criminal Justice work and other data	105



Joint Statement by the Chair and Director General

This report highlights SOCA's achievements in tackling organised crime affecting the UK and its people during 2011/12. These results have been achieved against a backdrop of major challenges including managing a shrinking resource base, taking on some functions from the Forensic Science Service (FSS), preparing to take on other functions from the National Policing Improvement Agency (NPIA) and the continuing resilience of the organised crime threat.

SOCA's operational activity was aligned to the Government's Organised Crime, Cyber Security, Human Trafficking and Building Stability Overseas strategies that were published during the year. These documents contributed to an enriched sense of direction and prioritisation of efforts against organised crime. We were also pleased that SOCA's strategic priorities were updated by the Home Secretary.

SOCA-led activity continued to have a major impact on the criminal markets for heroin and cocaine and resulted in an increasing number of top-end criminals being convicted or denied access to their assets or criminal commodities. Further, through SOCA's preventative agenda and broader set of disruptive activity, key enablers and opportunities were removed from the criminal community. These results were achieved through working with a range of partners at home and overseas. For the first time, in the appendix of the report, we seek to express the cumulative impact of this activity in terms of: assets and criminal commodities denied, fraud prevented, and savings to the UK public and private sector.

Significant work since the beginning of SOCA has resulted in the creation of an agile and flexible platform for the planned National Crime Agency (NCA). The year ended with SOCA infrastructure well placed to make the transition. Considerable progress was achieved towards the establishment of the Organised Crime Coordination Centre (OCCC) which also represents an important step in the development of the NCA's intelligence hub.

In addition, while very much focused on targeting organised crime that impacts on the UK, we have also been struck by the extent to which SOCA's people, in the UK and overseas, have demonstrated they are ready for the change that the NCA will bring to our collective efforts against crime. We would like to thank them for this, but also for all they have done to make possible the results this report describes over the last year. Their professionalism, commitment and innovation in this respect are laudable. It will be one of the NCA's most valuable assets, and also ensure that, in the run up to NCA, there is no let up in the pressure on organised criminals.



SIR IAN ANDREWS
Chair



TREVOR PEARCE QPM
Director General and Accounting
Officer



Introduction

SOCA's sixth Annual Report describes its performance in 2011/12, focusing particularly on:

- ▶ a summary of progress during the year resulting from SOCA activity including in respect of the major illegal commodities and threats which SOCA is charged with tackling;¹
- ▶ SOCA's activity in Scotland and Northern Ireland, as well as its activity in support of and in collaboration with domestic and international partners; and
- ▶ progress against SOCA's priorities, as set out in its Annual Plan 2011/12. These were:
 - ▷ the dislocation of those criminal markets where SOCA has the lead responsibility for UK law enforcement and support to other agencies in areas where they have the lead;
 - ▷ the systematic management, on a risk basis, of all SOCA Persons of Interest (PoIs) identified as involved in organised crime impacting on the UK, through effective information management and planned interventions; and
 - ▷ the delivery of more law enforcement activity against more organised criminals, at reduced cost and securing criminal convictions against the most serious criminals.

The Government's Organised Crime Strategy (OCS): *Local to Global: Reducing the Risk from Organised Crime* was published in July 2011. Within the overarching agenda set by the National Security Strategy, the Organised Crime Strategy set out for the first time a multi-agency approach with defined priorities in respect of organised crime, based on the themes of Stem, Strengthen and Safeguard: to **Stem** the opportunities for organised crime to take root, to **Strengthen** enforcement action against organised criminals and to **Safeguard** communities, businesses and the state. SOCA operates in accordance with the Organised Crime Strategy and within the context of further Government strategies such as on Drugs, Cyber Security, Human Trafficking, Fighting Fraud Together and Building Stability Overseas. During the year, SOCA worked closely with its partners to develop the newly established Threat Reduction Boards (TRBs) which reflect the key threat areas set out in the United Kingdom Threat Assessment of Organised Crime (UKTA), including ensuring the inclusion of prevention activity within the themes of **Stem** and **Strengthen**.

SOCA's statutory remit flows from the Serious Organised Crime and Police Act 2005 (SOCAP). It is to prevent and detect serious organised crime and to contribute to the reduction of such crime in other ways and to the mitigation of its consequences. SOCA is accountable to the Home Secretary through its Chair, Director General and non-executive Directors, all of whom are appointed by the Home Secretary. During the year, SOCA received a refreshed set of strategic priorities from

¹ SOCA activity encompasses operations, projects and high-volume activity.

SOCA operations are directed at either an individual (Person of Interest) or an organised crime group which includes, but is not limited to, an investigation aimed at criminal justice disposal, some other disposal (for example, obtaining an exclusion order against an individual), or civil proceedings. This activity is often multi-faceted involving a range of partners in the UK and/or overseas and includes elements of intelligence collection relevant to the investigation or case.

Project – a set of actions, which may overarch a number of operations, which have the overall purpose of addressing a problem or theme and which are best managed together towards a common purpose. The activity may include research or intelligence work directed at a thematic intelligence gap described in the National Intelligence Requirement, as well as a range of disposals or actions which are judged effective in addressing the problem.

High Volume Operating Model - Systematic management of organised criminals on record including through proportionate matching against data sets (for example UKBA's warning index). This identifies opportunities for action.

In addition, SOCA activity also includes activity under its statutory and non-statutory support functions.

Introduction

the Home Secretary. The new priorities take into account important changes to the law enforcement landscape, in particular the creation of the National Crime Agency (NCA) in 2013. SOCA has played a key role in the development and build of the planned NCA and will continue to do so, whilst keeping up the pressure on organised crime.

In December, SOCA welcomed former scientific and specialist staff from the Forensic Science Service (FSS) as it took on responsibility for the niche services which the FSS provided. These included crime scene investigators (CSI) and staff involved in the analysis of drug data under Endorse².

Effective partnership working is critical to SOCA's success and this report demonstrates what can be achieved when law enforcement and intelligence agencies work together with others to tackle organised crime impacting upon the UK. The report shows the continuing value of SOCA's work with the Crown Prosecution Service (CPS) in particular.

Part One of this Annual Report summarises SOCA successes in 2011/12, supported by specific examples of operational activity during the year. The appendix provides key data relating to SOCA casework, including arrests, commodity seizures and ancillary orders. Part Two draws some conclusions and sets out SOCA's ambitions for the year ahead.

The Statement of Accounts 2011/12 (Part Three) includes the Child Exploitation and Online Protection Centre (CEOP), which is affiliated to SOCA. The Annual Report does not however report on the work of CEOP, which publishes its own annual review.

The work described in this document was undertaken by approximately 3,700 full-time equivalent staff. SOCA operates from around 30 sites in the UK and in some 40 countries worldwide. Most overseas posts maintain a wider remit than the country in which the officers are stationed, enabling an operational reach across more than 150 nations.

² Endorse is a SOCA initiative which collects and analyses forensic data from drugs seizures. It takes data from the forensic submissions made by all police forces and law enforcement agencies and provides a detailed analysis which gives a better understanding of the UK drugs market, including information on drug purity, the substances used to adulterate drugs and, in some instances, source and manufacturing origins. An analysis of drugs interdicted at the point of importation is the best and most consistent indicator the UK has of the purity levels of such commodities at production.

Part One – SOCA Successes in 2011/12

Drugs

Tackling the supply of drugs, Class A in particular, continued to be a principal focus of SOCA activity. SOCA worked with partners in the UK, EU and more widely to disrupt trafficking routes and dislocate the drugs markets. Upstream efforts form part of the 'golden thread' of law enforcement in the UK – the connectivity from local policing through to international work – which allows end-to-end disruption of organised crime groups impacting upon the UK. The impact on both the cocaine and heroin markets was maintained from previous years, with the pressure on the markets reflected in high wholesale prices and low street-level purity.

Heroin

In 2011/12, 4.8 tonnes of heroin were seized in the UK and overseas as a result of SOCA activity. In the UK seizures of heroin increased to 1.2 tonnes from 301 kilograms in 2010/11. Shortages in the availability of heroin continued to be seen in some areas of the UK following on from the UK heroin shortage in 2010/11 and as a result of SOCA's more recent work with national and international partners.

Despite an overall fall in the amount of heroin seized upstream, the purity level of heroin interdicted at the point of importation fell slightly from an average of 53% in 2010 to 42% in 2011. Local dealer level purity of heroin fell from around 32% in the period July to September 2010, to around 19% in the corresponding period in 2011, with some street-level seizures having a purity of less than 10%. The average wholesale price for heroin this year increased on 2010/11, to between £20,000 and £35,000 per kilogram, with prices most commonly at or close to £25,000.

Until the beginning of 2010, forensic comparisons of heroin samples showed that approximately 75% of heroin seized in the UK was likely to have been trafficked via Turkey, reflecting the extent of the influence of Turkish organised crime groups over the UK heroin market. The past year saw

a reduction in the amount of heroin available in Turkey and in the number of UK-based criminals able to import heroin using this route.

Notwithstanding this, sustained SOCA activity carried out in conjunction with the Turkish National Police led to significant successes against organised crime groups trafficking heroin overland. 2011/12 also saw a substantial increase in seizures of heroin being trafficked through Pakistan, notably in maritime containers, but also by airfreight and other methods. SOCA responded by increasing its operational activity against this threat by 50% and enhancing its relationships with key UK and overseas partners. This resulted in improved intelligence flows, more effective collaborative working and some significant operational results. Pakistan's Anti Narcotics Force also had notable success in tackling the supply to the UK and the strengthened relationships between SOCA and the Pakistan authorities continues to pay dividends.

Afghanistan

More than 95% of the heroin sold in the UK is derived from Afghan opium. SOCA continued to contribute to UK efforts in Afghanistan to foster good governance, stability, and security and to reduce the impact on the UK of the Afghan narcotics trade. SOCA activity included supporting and assisting the Counter-Narcotics Police of Afghanistan (CNPA) and mentoring of its Intelligence and Investigation Unit (IIU).

During 2011/12, SOCA activity in Afghanistan led to the seizure of 2.9 tonnes of heroin; 2.4 tonnes of morphine; 8.5 tonnes of opium; 4.1 tonnes of cannabis and 13,700 litres of acetic anhydride (AA), a chemical used in the manufacture of heroin. Over 650 firearms and over 106,000 rounds of ammunition were also seized and 303 people were arrested.

▼▼▼
Tackling a major heroin trafficking ring

Seven members of a prolific Birmingham-based heroin smuggling organised crime group, including the principal, were sentenced in July and August to a total of 125 years' imprisonment for drug supply and money laundering offences following joint activity between SOCA and the Dutch authorities. The group was responsible for smuggling heroin to the UK from Pakistan via the Netherlands; the principal and two other members were already in prison, serving sentences for drug and firearms offences. Assisted by SOCA, the network's Dutch contingent was dismantled by the Netherlands' National Crime Squad. The UK investigation was supported by officers from the Merseyside, Metropolitan, Staffordshire and West Midlands police forces.



Cocaine

In 2011/12 67.8 tonnes of cocaine were seized in the UK and overseas as a result of SOCA activity.

At year end, the wholesale price for cocaine powder remained consistent with the price reported in 2010/11 at between £47,000 and £54,000 per kilogram. The purity of cocaine at the point of importation and the adulterants it contained remained stable compared with 2010/11. The average purity at importation was 75%. The variance in purity of cocaine bought at street dealer level reported in previous years also persisted, most commonly ranging between 8% and 20%.

Operational activity in Latin America in conjunction with law enforcement partners resulted in large seizures and the arrest of significant traffickers engaged in the supply of cocaine to Europe. SOCA activity was based on excellent working relationships with law enforcement partners in Latin America and the Caribbean, of which the latter remains a significant transit route for cocaine destined for the UK and other parts of Europe.

SOCA's involvement led to eight cocaine seizures at sea in 2011/12, totalling 2.6 tonnes. In 2011, through enhanced co-ordination of activity with international partners in

the region, SOCA instigated a comprehensive strategy to counter the threat of the bulk movements of cocaine from the Caribbean to Europe by sailing vessel. At a conference funded by the Department for International Development (DfID), SOCA launched an initiative along with 13 partners, supported by France, USA, the Netherlands and Spain. SOCA led activity across the region, identified suspect vessels for investigation and resulted in intervention.

▼▼▼
Coordinated action targets corrupt airport employees

SOCA activity in Ghana and the UK, in conjunction with the Ghanaian Bureau of Investigation (BNI) and the UK Border Agency (UKBA) focused on an organised crime group trafficking cocaine from Latin America via West Africa. Intelligence identified corrupt airport employees in Accra, and SOCA analysis in the UK identified another at Heathrow Airport. In June, SOCA officers arrested five people in the UK including the UK coordinator, the courier, and the corrupt airport employee. Officers also seized false identity documents, passports and airport identity documents from the coordinator's home. Simultaneously, in Ghana, BNI officers arrested six people; four of these were principal targets, including the head of the organised crime group and the airline manager. All five subjects arrested in the UK were convicted and four of them received custodial sentences totalling 22 years, including 11 years for the principal, effectively disrupting the organised crime group.



Cutting agents

SOCA continued to tackle the importation and distribution of chemicals used in the cutting of cocaine. A significant proportion of these chemicals is destined for use in the controlled drugs trade. One element of the response is to monitor the international trade in such chemicals, identifying possible diversions from the legitimate trade and using this to inform operational decisions.

SOCA successfully defended a High Court challenge in relation to its action to destroy a 250 kilogram consignment of benzocaine, a substance used to cut cocaine. The destruction was undertaken on the basis that the individual who had imported it could not provide evidence of

legitimate UK customers. Releasing the consignment in the belief that the likely intended end use was to cut cocaine would have been tantamount to encouraging or assisting crime. The appellant was refused permission to go to Judicial Review and was required to pay some of SOCA's legal costs.



Seizing cocaine in transit

Collaborative work between SOCA and domestic and international partners led to the seizure of 1.2 tonnes of very high purity cocaine and the arrest by the Dutch authorities of six members of an organised crime group in June. The drugs had been concealed in a 65-foot pleasure cruiser and were then transported by container ship from the British Virgin Islands to the UK en route to the Netherlands. Acting on intelligence provided by SOCA and the French Customs Investigation Service (DNRED), UKBA officers uncovered the drugs at Southampton docks following a systematic six-day search. During the operation, SOCA also worked closely with the Royal Virgin Islands Police Force (RVIPF) and the Maritime Analysis and Operations Centre - Narcotics (MAOC-(N)) in Lisbon.



Lengthy jail sentences for suppliers of cutting agents

Following a two-month trial at Leeds Crown Court, three men at the centre of an organised crime group that imported and distributed large quantities of cutting agents to drug traffickers over more than four years, were sentenced in November to a total of 44 years' imprisonment. Jamie Dale, John Cawley and Barry Hartley had imported and supplied almost 36 tonnes of cutting agents which, based on the wholesale price of cocaine at the time (£36,000 per kilogram) would potentially have enabled the production of Class A drugs worth well over £1 billion. They were found guilty of conspiring to supply cocaine, diamorphine and amphetamine, the first time such charges were applied to activities involving large quantities of cutting agents.



MAOC (N)

The Maritime Analysis and Operations Centre – Narcotics (MAOC(N)) was established in Lisbon in September 2007 to counter the threat posed to the European Union from transatlantic cocaine trafficking. This regional platform is operated by seven EU Countries (United Kingdom, the Netherlands, Spain, Portugal, France, Ireland and Italy). Law enforcement secondees work together to develop maritime and aviation intelligence and coordinate military support to facilitate interdictions. The UK, through SOCA, was one of the principal sponsors of this initiative and in 2011/12 SOCA continued to play a key role in (MAOC(N)).³

Maritime containers

SOCA worked to address the increasing threat of bulk trafficking of drugs into the UK by maritime container, working with UKBA to arrest organised criminals and seize drugs. SOCA, again working with UKBA, also contributed to two major EU initiatives to tackle the use of maritime containers: RADAR and EMPACT.⁴ RADAR was an EU exercise carried out in March to test and assess the use of containers to ship cocaine and other drugs from Africa to Europe. SOCA's work under EMPACT led to enhanced relationships and more effective co-ordination of the EU response.

New Psychoactive Substances (NPS)

SOCA continued to disrupt the trade in new psychoactive substances. Work in conjunction with the Home Office and forensic providers is building a better picture of the range of psychoactive substances, both controlled and non-controlled, which are traded in the UK and this picture is continuously refreshed as new substances become available. This work has led to a better understanding of the scale and nature of the threat and has informed a more effective response.

³ By the autumn of 2012, this multi-national platform will have run for five years and at the end of 2011/12 its activity had contributed to the seizure of over 65 tonnes of cocaine and 50 tonnes of cannabis.

⁴ EMPACT is the 'National European Multidisciplinary Platform against Criminal Threats Coordinators' – a network of EU Member States.

Research, both academic and conducted by SOCA, supports the evidence that NPS have inconsistent ingredients, frequently containing controlled drugs or a mixture of active ingredients. This research has shown that when purchasing these chemicals individuals have no idea what the substance contains or the active dose. Individuals involved in the preparation, importation, supply and possession of substances that when tested are found to contain controlled drugs may be liable to prosecution under the Misuse of Drugs Act 1971.

SOCA and others worked closely with the competent authorities in source countries such as China to seek to influence their response to the trade, including by encouraging them to tighten the legislation surrounding the substances. This produced some good results: China, for example, increased the controls of on-line sales and made mephedrone a controlled substance.

Infrastructure and Change

SOCA's change programme (Project Evolve), which commenced in 2010, created an agile and flexible platform for the NCA and much progress was made this year to prepare SOCA's infrastructure to transition into the NCA. SOCA worked closely with the Home Office to focus on the key areas of SOCA business that need to be continued, developed, reviewed and future-proofed in readiness for transition.

The Reshaping Project was launched to implement Project Evolve. Reshaping was conducted against a landscape of austerity. The Reshaping team considered the Strategic Risk Register, Business Continuity Plans and the Home Secretary's revised priorities. It also made recommendations on recruitment in SOCA for the next two years and will ensure that 85% of SOCA officers are in operational roles or those in direct support of operations.

In the North West of England, SOCA's capabilities were united into a single site. Planning commenced in 2009, and came to a conclusion in early 2012, with full occupation of the integrated site. This brought together existing capabilities in the North West, established additional capabilities and relocated some business functions from London to the North West.

In 2010/11 i2d, a consortium of experienced IT companies led by Logica, was appointed to deliver SOCA's ICT and related services. The new supplier has successfully transitioned all previous services and will allow SOCA to realise 35% cost savings against the baseline over the 10-year life of the contract and around £10 million in 2012/13. SOCA is engaged extensively with i2d to deliver ICT Modernisation which will replace the existing business ICT infrastructure and applications over the next 18 months.

With the support of the Home Office, SOCA continued to make targeted improvements in both estate and ICT capability to update current infrastructure and support the maintaining of the operational tempo in preparation for the NCA.

SOCA responded to the National Cyber Security Programme by expanding its current cyber capability, including the planning for the posting of dedicated Cyber Liaison Officers in key locations overseas.

SOCA sought approval from the Home Office to undertake a number of external recruitment campaigns to fill key operational posts. During 2011/12, SOCA obtained approval to recruit 236 staff. This initial approval included 128 externally, allowing SOCA to target operational skills available elsewhere. In addition to external recruitment, SOCA has undertaken a review of structure, numbers and career pathways to address existing and emerging skills and knowledge requirements. There has also been increased focus on lateral internal development.

Security and information assurance measures underpin all infrastructure activity. This work sustains SOCA's attainment of the highest level of the Information Assurance Maturity Model⁵ currently available (IAMM Level 3). Standards achieved for 2011/12 have been endorsed by the Home Office and have been subject to a thorough audit which demonstrated an exemplary standard of compliance.

⁵ The Information Assurance Maturity Model (IAMM) is the means by which the Cabinet Office assesses the standards achieved by Departments in managing information risk.

Criminal finances and profits

In line with the Strengthen theme of the Organised Crime Strategy, SOCA continued to take a more holistic approach to criminal finances and profits than a simple equation of cost versus receipt. Work utilising the asset recovery provisions of the Proceeds of Crime Act 2002 continued to be a critical component of SOCA's operational strategy. As well as recovering criminal proceeds, SOCA applied wider approaches to deny criminals access to their assets, even in cases where it was not possible to recover them, as well as other financial tools to impact upon their businesses.

Complex money laundering investigations by SOCA had a significant effect on organised crime groups, providing opportunities for asset recovery and other disruptive effects.

This year, SOCA used its criminal and civil powers to deny criminals access to more than £100 million. A further £300 million was denied by partners as a result of SOCA's activity, including £184.6 million overseas.

Category	2011/12
Cash seizures	£8m ⁶
Restrained Assets (Gross)	£58.9m
Assets Frozen (Civil & Tax powers – Gross)	£5.6m
Confiscation Orders obtained	£14m
Civil Recovery Orders (Gross)	£11.5m
Civil Recovery Consent Orders (Gross)	£2.6m
Value of assets denied by partners (UK)	£115.1m
Value of assets denied by partners (Overseas)	£184.6m
Total assets denied to criminals	£400.5m⁷

Asset recovery data is set out in the appendix.

⁶ Figures are rounded up/down to one decimal place and therefore rounded figures do not add up exactly to the £400.5m total.

⁷ Total assets denied to criminals in 2010/11: £327.6m.

⁸ Suspicious Activity Reports describe a reporter's suspicion of money laundering or terrorist financing activity. They can be submitted under the Proceeds of Crime Act 2002 or the Terrorism Act 2000.

⁹ The four aims of the strategy are:

- Appropriate SARs to be submitted by the full range of reporting sectors;
- Maximising the use of information provided by reporters while ensuring proportionality;
- Supporting and enhancing the technical capabilities and experience of all SARs Regime participants;
- Continuing improvement of the governance and transparency of the regime.

¹⁰ ARENA is a system for the end users of SARs providing access to 'Restricted' SARs data.

In November, the 2011 Suspicious Activity Reports (SARs)⁸ Annual Report was published. This demonstrated how, despite a more challenging financial environment impacting upon the public sector, good progress was achieved against the goals of the current three-year strategy for the SARs regime that were set out in 2009⁹. The enhanced interrogation tools of the ARENA¹⁰ system were made available to SARs end users during 2011.

In February, the Financial Action Taskforce (FATF) published a revised set of international standards aimed at combating money laundering and terrorist financing. The UK Financial Intelligence Unit (UKFIU) in SOCA led the discussions for the UK in respect of the standards for law enforcement and FIUs. These clarify the role and functions of the operational agencies responsible for combating these crimes and describe the investigative techniques and powers which should be available to them. They will result in improved global anti-money laundering controls.

Money laundering enterprise taken down

In February, two men who had been engaged in providing specialist money laundering services to organised crime groups were sentenced at Kingston Crown Court following an 11-week trial in which approximately 20,000 pages of material were served as evidence. Tarek Meghrabi and Amin Sabir had run central London money service businesses which handled more than £35 million of criminal proceeds before their arrest in November 2009. SOCA established that much of the money was derived from identity theft and tax fraud. Meghrabi received two concurrent prison sentences, each of five years and nine months; Sabir received two concurrent prison sentences of six years and six months and one concurrent four-year prison sentence. Multi-million pound realisable assets have been identified and confiscation proceedings will follow.

Civil Recovery & Tax

Civil Recovery powers under the Proceeds of Crime Act (POCA) 2002 enable SOCA to recover property from criminals that it can prove has been obtained through unlawful conduct¹¹. Under Part 6 of POCA, SOCA is also able to use tax powers to recover funds and assets from criminals where it has reasonable grounds to suspect that taxable income, gains or profits are the proceeds of crime.

The development of cost saving strategies and changes in legislation resulted in a significant decrease in spending this year on out-sourced receivers to manage assets subject to property freezing orders. This was demonstrated by significant cost reductions from fees of £4.5m in 2008/09 to £0.28m in 2011/12.

In November, SOCA brought its first civil recovery contempt proceedings against an individual who sold property overseas and dissipated the proceeds in direct contravention of a Property Freezing Order (worth £5.7 million). The case had been referred for civil recovery after prosecutions for drug trafficking and money laundering were stayed by the courts. SOCA successfully argued that James O’Docherty had funded his considerable assets through the proceeds of drug trafficking and money laundering over two decades. O’Docherty was sentenced to nine months’ imprisonment for contempt and was further ordered to pay half of SOCA’s legal costs. The case also represents the first time that the Spanish authorities have frozen assets for the UK in civil recovery proceedings.

▼▼▼

Using SOCA tax powers to recover criminal assets

In July 2010, SOCA initiated an investigation into a previously convicted fraudster in Scotland who was suspected of co-ordinating a major tax credit fraud through cloned identities. Partner agencies were unable to prosecute the individual due to difficulties in linking the respondent’s assets to criminal activity. By using SOCA’s tax powers, it was established that the individual had a substantial property portfolio funded from undeclared criminal income and had amassed a large tax debt before his death in October 2010. In February, SOCA secured assets of nearly £400,000 from the individual’s estate to pay his tax debt.

▲▲▲

SOCA also successfully used civil recovery powers to deny assets to organised criminals in Northern Ireland. The Police Service of Northern Ireland (PSNI) referred two subjects to SOCA after it was decided there was insufficient evidence to prosecute the couple for money laundering offences. In addition to money laundering, they were believed also to have profited significantly from violent ‘tiger kidnaps’¹². The civil case was settled with the couple’s home being sold.

▼▼▼

Valuable home seized

In March 2012, SOCA was granted a Civil Recovery Order against a residential property valued at £1 million. The property belonged to Arran Coghlan, a Cheshire resident who is believed to have derived his assets from drug trafficking and money laundering. Coghlan was referred to the former Assets Recovery Agency (ARA) in 2003 by Greater Manchester Police and this led to a lengthy civil recovery investigation.

The failure of criminal proceedings against Coghlan did not impact upon SOCA’s ability to investigate and seek to recover any assets found to be derived from criminal activity. SOCA’s investigation showed that Coghlan purchased the property in 2000 through a third party for £180,000 yet had no legitimate means of income. In a High Court Judgement, Mr Justice Simon stated that *“I am satisfied from the evidence that while he was at large between 1999 and at least April 2004 Mr Coghlan was engaged in unlawful conduct as a drug dealer, and that his drug dealing was the source of his income.”*

▲▲▲

¹¹ To obtain the assets SOCA needs to show, on the balance of probabilities, that those assets have been derived from criminal conduct. In criminal confiscation there must have been a conviction, in civil recovery no conviction is required.

¹² Tiger kidnap / situation is the abduction or holding of a hostage (or claim of having done so) with the intention of forcing another person to facilitate the immediate theft of valuables or concede some other form of ransom from an institution or business organisation.

Cyber Crime

SOCA worked with trade bodies and umbrella groups to improve self-regulatory measures to enhance defences across whole sectors, including in respect of domain abuse. SOCA continued to build upon its influence and reach in internet governance through increasing partnerships with international law enforcement and leading on the global representation of law enforcement interests to ICANN¹³, the body responsible for the administration and allocation of domain names.

SOCA identified and, through its Alerts system, reported several hundred cases of domain name abuse directly to ICANN, highlighting continuous failures in the customer validation of domain name registrations by the specific 'registrars' directly responsible for the sale of domain names to users. Targeted SOCA Alerts highlighted areas of abuse and registrar practice that disrupted a major online malware distribution group by preventing it from registering and using malicious domain names over a long term period. Collaboration with ICANN to amend the Registrar's Accreditation Agreement (RAA) has assisted law enforcement efforts in crime prevention and detection, and direct reporting to ICANN, highlighting specific criminal use of domain names and methodology, has encouraged due diligence measures to prevent abuse.

The Government's Cyber Security Strategy was published in November and SOCA played its part in helping to raise awareness at a senior level within private sector organisations of the threat posed by on-line crime to business performance, shareholder value, reputation, intellectual property and the security of information systems.

Virgin Media worked with SOCA to warn customers on its network that they might have been infected with the dangerous SpyEye Trojan variant. This collects personal and banking information and poses a high level threat to

infected users. It is comparable in severity to the 'Zeus' Trojan which reportedly siphoned over half a million pounds from UK consumers' bank accounts last year. SOCA detected around 1,500 Virgin Media customers' Internet Service Providers (ISPs) infected with the SpyEye Trojan and at risk of identity theft or fraud. Virgin Media wrote to these customers with practical advice on how to deal with removal of the Trojan, with options for customers to get help if they were unable to manage the disinfection process themselves.

SOCA continued systematically to target the criminal trade in stolen financial information. SOCA and its partners seized over 1.2 million items of compromised payment card data from cybercriminals and passed these details to UK Payments¹⁴ via the Alerts system. This data was used by UK and overseas banks and payment processing bodies to prevent fraud and identify and take action where data loss and security breaches occurred. This combined approach between law enforcement, industry bodies and financial institutions enabled the institutions to bolster their anti-fraud mechanisms. Success has encouraged law enforcement colleagues in the UK and overseas to adopt a similar approach.

SOCA commenced delivery against its components of the Government's National Cyber Security Programme (NCSP). Year one of the programme focused on recruiting additional staff, building infrastructure and investing in capabilities and tools enhancing the ability of investigators in the digital age.



SOCA's cyber work in action

SOCA undertook operational activity to identify an individual involved in money laundering on behalf of cyber crime groups who were carrying out cyber attacks on major international corporations. Focused investigation, and joint working with law enforcement partners in the USA, allowed SOCA to provide critical intelligence leading to the identification and subsequent arrest of the individual and an associate. An attack was averted, resulting in savings to the companies involved.

¹³ Internet Corporation for Assigned Names and Numbers.

¹⁴ The UK Payments Administration Limited (UKPA) brings together all payment systems organisations and provides a forum to banks, building societies and card issuers to work together on non-competitive issues. It replaced the Association for Payment Clearing Services (APACS) in July 2009.

Firearms

SOCA continued to work closely with the National Ballistics Intelligence Service (NABIS) and law enforcement partners in the UK and overseas to provide a comprehensive response to the criminal importation, distribution and use of firearms in the UK. Firearms and ammunition seizures substantially exceeded those for 2010/11. Details are given in the appendix.

Examples of successes included:

- ▶ SOCA provided support to West Yorkshire Police in an investigation into the smuggling of illegal firearms into the UK from the USA. In October, eight men were sentenced for their part in smuggling a total of 13 firearms concealed in packages containing electrical equipment. The two ringleaders received custodial sentences of 24 years each; six others received sentences of up to 12 years.
- ▶ In November, in response to the continued seizures of stun guns and self-defence sprays by UKBA, SOCA developed intelligence regarding the importation of such items via the postal and fast parcel system from a US-based company responsible for sending over 70% of the items intercepted. The parcels were destined for addresses throughout the UK. The items are legal in the USA, but they are prohibited in the UK and require an export licence. After successful intervention by SOCA and US law enforcement partners, the US supplier ceased all its international trading and closed its websites in January.
- ▶ In July, a large haul of ammunition and an Uzi submachine gun were recovered in Bradford as part of a SOCA operation supported by West Yorkshire Police. Around 1,400 rounds of ammunition for various firearms, including an Uzi submachine gun, an AK-47 assault rifle and a Magnum handgun were recovered.

Organised Immigration Crime

Working in conjunction with partners in the UK and overseas, SOCA continued to disrupt organised criminals engaged in people smuggling and the flow of illegal immigrants to the UK by identifying and developing intelligence on suspected facilitators both upstream and in country.

Work in this area resulted in a high number of illegal migrants being detained, as part of SOCA's activity focusing on transit and source countries. Figures are set out in the appendix.

SOCA intelligence led to interceptions by the Italian authorities of vessels just off the coast of Sicily which were found to be carrying large numbers of illegal migrants. In May, two facilitators were arrested and 46 migrants detained and in July a further 105 migrants were apprehended as a result of information passed to the Italians by the SOCA Liaison Officer (SLO).



Assets confiscated from people smugglers

Following a contested 10-day financial hearing in October, confiscation orders totalling £430,000 were granted against an organised crime group facilitating illegal immigration to the UK from Afghanistan and Pakistan, via Turkey and Greece. Three principal members of the group had been imprisoned in 2009. As well as facilitating entry to the UK, the group placed the illegal immigrants into debt bondage, often compelling them to work in pizza shops and live in accommodation under the group's control.¹⁵ Monies would then be systematically collected from the illegal immigrants by the group and transferred overseas.



Human trafficking

SOCA continued to deploy a cadre of specialist officers to support police forces in conducting human trafficking

investigations. The UK Human Trafficking Centre (UKHTC), which became part of SOCA in April 2010, worked with partners to raise awareness of human trafficking and to seek to improve the multi-agency response. Collaboration with UKBA resulted in the production of an e-learning package to help airline staff to identify potential victims of trafficking.

In September, SOCA provided extensive tactical advice and support, including specialist UKHTC officers skilled in dealing with vulnerable persons, to a large scale human trafficking investigation by Bedfordshire Police. The investigation led to the rescue of 24 vulnerable men, 19 of whom were British, who were believed to have been the victims of slavery. Five men and one woman, all members of the same family, were charged with offences under the Slavery and Forced labour Act 2009.

¹⁵ Debt bondage refers to a form of servitude whereby a person pledges to work off the value of a loan.



Fraud

The SOCA response to fraud included safeguarding activity to raise awareness and mitigate the impact of mass-marketing fraud and sharing data with industry to allow it to protect itself better.

During the year, closer relationships were established with the regulatory organisations in order to identify opportunities for raising awareness of fraud. For example, as part of a project with the Charity Commission, SOCA worked with the not for profit / Non-governmental Organisation (NGO) sector to scope the size and type of fraud in this area.

As part of the **Strengthen** theme of the Organised Crime Strategy, SOCA supported the City of London Police and other partners in a major operation against eastern European economic crime by targeting the ‘money mules’ or money transfer agents recruited by organised crime groups to launder stolen funds through UK banks. ‘Money mules’ set up bank accounts, often using false documents, to receive funds obtained by phishing and malware scams and tax and benefit fraud.¹⁶ In January, a multi-agency task force entered 21 addresses across London and the UK, arresting 13 people. Checks on 100 ‘money mule’ accounts suspected of being used to launder money for different criminal enterprises identified individuals and addresses being used to facilitate fraud. This activity was driven by the Economic Crime Coordination Board (ECCB), a high-level group established in September 2011 to drive better coordination of cases and alignment of resources across agencies in advance of the establishment of the NCA’s Economic Crime Command (ECC). SOCA played an active role in the ECCB with its Director General chairing the first two meetings of the Board, which was operationally focused from the outset.

This year SOCA continued to work with partners to prevent organised crime associated with carbon trading following criminal activity against the trading markets and the temporary suspension of EU trading. Through a number of

Group jailed for laundering the proceeds of fraud

Four members of a specialist money laundering organised crime group that attempted to launder US\$15 million, stolen from the Commerzbank, Frankfurt, in 2000 by electronic theft, were jailed for a total of 18 years in December. The principal of the group and his associates used offshore companies in multiple jurisdictions before transferring the funds to the accounts of investment companies in the UK in an attempt to evade law enforcement. A Commerzbank employee had enlisted the organised crime group on behalf of the fraudsters who were jailed by the German authorities in 2006 for the theft. To date approximately £3 million net worth of assets have been restrained in the UK, with additional sums restrained in Spain, Portugal and Australia.

Print business used as front for counterfeiting

SOCA activity led to more than 24 years’ imprisonment for three Kent men convicted of counterfeiting banknotes with a face value of millions of pounds. Counterfeit euros with a face value of €350,000 were recovered from the home of Phillip Brown, who ran a commercial printing business with his brother, Christian. The Brown brothers, together with Mehmet Altinfincan, also played key roles in the printing and distribution of counterfeit £20 notes. To date, banknotes with a face value of more than £17.5 million believed to be linked to the gang have been removed from circulation. Furthermore, three other members of the gang, Daniel Brown, Michael Charles and Bekir Arif, were convicted on counterfeiting-related matters.

SOCA operations and projects, five arrests were made this year of individuals involved in the theft of carbon credits from EU Registries. These operations have identified and continue to dismantle the complex process and techniques criminals use to steal carbon credits and launder the proceeds. A key aim of this work has been to challenge suspect and bogus accounts on the UK Registry. SOCA, working with the Environment Agency which administers the UK market, removed 156 accounts which failed to meet ‘fit and proper’ validation tests. The dissemination of ten SOCA Alerts to industry helped to warn and raise awareness of the criminal activity affecting the Registries.

¹⁶ Phishing is the criminally fraudulent process of attempting to acquire sensitive information by masquerading as a trustworthy entity in an electronic communication.

Lifetime management and tackling enablers

SOCA's robust lifetime management regime continued to ensure systematic and continuous activity against all its Persons of Interest (PoIs), commensurate with the risk that they pose. This activity ranges from the management of the most serious through ancillary orders and making prison a much harder place for criminals to operate, through to efficient and constant monitoring using targeted watchlisting techniques.

Ancillary orders

SOCA continued with the targeted use of ancillary orders against top end organised criminals, delivering a preventative impact beyond the punitive impact of custodial sentences. SOCA worked with the Crown Prosecution Service (CPS) to identify individuals subject to targeted operational activity for whom an ancillary order was appropriate. Orders were tailored to suit the individual circumstances and contained a range of terms that prevented and restricted further engagement in criminal activity and the operation of criminal businesses.

Working with partners including law enforcement agencies (both within the UK and overseas), other Government Departments, private industry and a range of regulatory bodies SOCA monitored compliance of ancillary orders. Breaches of orders were identified and prosecuted.

In November, high-profile organised criminal Terry Adams was sentenced to eight weeks' imprisonment for four breaches of his Financial Reporting Order. Adams had failed to report details of an account and payments he had made from the account. He had been released on licence having served just under half his sentence for money laundering, but as a result of his arrest by SOCA, his licence was revoked and he was recalled to custody. A parole panel decided in December that Adams must serve most of his previous sentence consecutively with his eight-week prison term, which means he will not be eligible for another parole hearing until December 2012.

Record number of ancillary orders imposed against drugs network

In December, a judge awarded the highest number of ancillary orders in a single SOCA operation against the subjects of a major cocaine smuggling network. This followed the complete dismantlement of a significant Merseyside-based organised crime group. The group sought to import cocaine from Latin America via mainland Europe to the UK, cutting and distributing the drugs in the UK, and laundering the proceeds. In total, the group plotted to import 40 tonnes of cocaine, more than the annual demand for the UK market. 24 members of the group, including the principals in Merseyside and London, were sentenced to a total of over 250 years' imprisonment. In addition, 13 Serious Crime Prevention Orders (SCPOs), 5 Travel Restriction Orders (TROs) and 1 Financial Reporting Order (FRO) were made. These orders contain a range of terms, relating to matters such as mobile phone ownership, bank accounts and association with others, aimed at comprehensively preventing the group's activities.

Information relating to the number of ancillary orders obtained by SOCA is set out in the appendix.

SOCA's work in prisons, in conjunction with the National Offender Management Service (NOMS) is systematically embedded into its overall approach and the two agencies worked closely together to deliver a refreshed package of measures, including high volume activity, against organised criminals who are in prison.

SOCA continued to focus efforts on those in custody, to harden the prison environment to make it more difficult for organised criminals to operate, and to exploit opportunities to gather intelligence by debriefing serving prisoners. The provision by SOCA of a constant flow of relevant information relating to all its Persons of Interest in custody enabled NOMS to make informed, risk-based decisions regarding the management of those individuals.



Prison cell cocaine plot foiled

In February, Russell Knaggs and two others were convicted of conspiracy to import five tonnes of cocaine into the UK from Colombia following a five month trial. A further subject pleaded guilty at an earlier hearing. Knaggs, who was already serving a 16-year sentence for drug trafficking at HMP Lowdham Grange in Nottinghamshire, sought to orchestrate the scheme from his cell. He was sentenced to a further 20 years' imprisonment.



Organised Crime Group Mapping¹⁷

The development of Organised Crime Group Mapping (OCGM) ensures the consistent application by all law enforcement partners of a process for identifying the threats, harms and risks posed by organised criminals. OCGM assessments were used by SOCA to inform the tasking of new business, helping to ensure that SOCA's assets were utilised in the right areas and given the right priority and tier of operational response under the Integrated Operating Model¹⁸.

Considerable progress was made towards the establishment of the Organised Crime Coordination Centre (OCCC), which will make full use of OCGM data. The OCCC is a state of the art multi-agency intelligence hub which sits within SOCA and which will in time form part of the NCA. It will act as a central hub for the analysis and dissemination of operational intelligence on organised crime. It will also provide a number of national functions which serve the whole of the UK law enforcement community. By year end, the transition of those national functions into the OCCC had commenced, the continuity of those functions being successfully maintained during this process.

¹⁷ The Organised Crime Group Map is an index of groups and individuals engaged in organised crime. It provides a comprehensive picture of organised crime and enables law enforcement agencies to identify, assess, prioritise and manage the threat from organised crime much more effectively than if acting independently.

¹⁸ A multi-agency approach to improving prioritisation activity and an agreed set of principles to determine which agency should have primary responsibility for taking action against identified organised crime groups.

Scotland and Northern Ireland

SOCA is a UK wide organisation and works within all jurisdictions in respect of its priorities and specific issues within those areas to target organised crime impacting upon the UK as a whole.

In Scotland and Northern Ireland, where responsibilities for policing and crime fighting are devolved and are the subject of separate organised crime strategies, SOCA has agreed priorities with its partners in government and law enforcement to ensure it is correctly placed to contribute to the fight against organised crime in those jurisdictions.

Scotland

In Scotland, this is achieved primarily through membership of the Serious Organised Crime Task Force (SOCTF) and participation in the Association of Chief Police Officers in Scotland (ACPOS) Crime Business Area. SOCA's presence at these key policy-setting fora ensures that its activities remain consistent with priorities at both local and regional level. SOCA participates in the ACPOS Strategic and Tactical Tasking meetings and has staff embedded at the Crown Office and Procurator Fiscal Service (COPFS) and at the Scottish Intelligence Co-ordination Unit, housed by the Scottish Crime and Drugs Enforcement Agency (SCDEA) and focusing on Organised Crime Group Mapping in Scotland.

Highlights included:

- ▶ a subject, associated with numerous Scottish organised crime groups, was detained in London by SOCA with assistance from the Metropolitan Police and transported back to Fife where he was wanted in connection with over 20 fraud offences. This was part of a joint project between SOCA and the COPFS to identify and locate fugitives from Scottish jurisdiction.
- ▶ in conjunction with Strathclyde Police, SOCA was involved in a number of operations relating to criminals

based in Spain but impacting on Scotland. Two fugitives were arrested in Spain.

- ▶ SOCA supported an operation by Strathclyde Police which resulted in the convictions of two individuals for people trafficking for the purpose of sexual exploitation, the first time there has been a conviction for this offence in Scotland.

Northern Ireland

In Northern Ireland, SOCA is a member of the Organised Crime Task Force (OCTF). Its presence helps to ensure that SOCA's activities remain consistent with specific priorities at local and regional level. SOCA participates in partner Strategic and Tactical Tasking meetings and has staff embedded in the Regional Intelligence Unit within the Police Service of Northern Ireland (PSNI) to facilitate partnership working.

Highlights included:

- ▶ the PSNI's Head of Organised Crime Branch formally thanked SOCA after its assistance resulted in the dismantling of a Northern Ireland-based, multi-commodity, organised crime group. SOCA used its international network to assist the PSNI and An Garda Siochana to thwart the group's attempts to import cannabis from Greece. As part of the multi-agency investigation, 200 kilograms of cannabis was seized from a lorry and a warehouse in Athens and five men were arrested;
- ▶ three men were charged as part of an ongoing investigation into the importation of mephedrone and money laundering. SOCA led the UK end of the international investigation into the distribution of Class B drugs.

Working with and in support of partners

SOCA provided support to partners in 535 instances, excluding directed arrangements under SOCAP, meeting over 90% of requests. SOCA produced 161 pieces of assessed reporting – 5 assessments and 156 reports. While still providing quarterly updates for the Threat Reduction Board areas, SOCA continued to focus on producing shorter, timely pieces of assessed reporting with tighter executive summaries. Feedback by police forces, national agencies, intelligence agencies, government departments and international bodies confirmed these were useful, relevant and of high quality, providing clarity and new insight on a range of organised crime issues. SOCA's assessed reporting products continued to influence government policy and law enforcement activity during the year. The readership has widened and includes Ministers and academics.

SOCA issued 185 alerts warning partners in industry of specific threats enabling them to build knowledge and put in place preventative measures, thereby disrupting organised crime. These alerts covered a wide range of subjects and included the following:

- ▶ the provision of housing benefit fraud data to the Audit Commission so as to allow different councils to establish whether individuals were committing housing benefit fraud in more than one area. As a result of the alert, ten matches were identified across six different councils;
- ▶ the provision of the names of almost 1,000 known ticket touts to the London Olympic Games Organising Group (LOCOG), resulting in the rejection of some applications for tickets for the Olympic Games;
- ▶ a warning of advanced fee fraudsters targeting firms of solicitors. The value of this information was recognised in leading legal trade publications and welcomed by the Law Society's Money Laundering Taskforce which commented 'We value the dialogue we have with SOCA to assist us to provide information to our members in a timely way on new trends in money laundering/fraud'; and

- ▶ protecting corporate identity – the misuse of uniforms by criminals. A number of recipients indicated that this alert had led to changes to internal policies and procedures in their respective organisations.

Proceeds of crime reinvested in the community

Last year's report described the multi-agency approach of work undertaken in Salford as part of Project Plateau. Under Project Plateau, SOCA has been working in partnership with Salford City Council, Greater Manchester Police and a number of other agencies to tackle the impact of organised crime in Salford.

In July, the Valley Community Centre in Salford thanked SOCA for a £6,500 grant from the SOCA Community Fund. The Fund, which is sponsored by the SOCA Board, reinvests recovered proceeds of crime back into communities affected by criminal activity.

In 2012 SOCA launched new software called SPIRA, which is an innovative 3D process-mapping tool that allows the user to explore and visualise the methodology of how a crime is committed, including the mapping of enablers to crime. The software collects and analyses all the enablers and can produce priority reports, demonstrating where the most impact may be achieved and pointing to where the best value for money intervention opportunities might be. The software was used in May 2011 to map child sexual exploitation (CSE) in conjunction with the UKHTC, CEOP and a number of UK police forces and with academic input from the University College London (UCL) Jill Dando Institute. The Director of the National Working Group for Sexually Exploited Children and Young People said of SPIRA "Any tool that assists professionals to identify and develop appropriate response to victims and those at risk of becoming a victim of Child Sexual Exploitation is extremely welcome. I have been involved in developing work around CSE for a number of years and this is by far the best tool I have seen."

London 2012 Olympic and Paralympic Games

SOCA continued to be an active participant in the planning for and delivery of the safety and security of the 2012 Games. SOCA assisted its partners to arrest, disrupt and deter those who sought to threaten the 2012 Games through their criminal activities and seconded a SOCA Officer to the Olympics Intelligence Centre.

SOCA worked with sponsor companies, law enforcement partners, the Health Protection Agency and the Food Standards Agency to mitigate the threat from product contamination by running criminal extortion scenario seminars with them. SOCA also worked with its overseas law enforcement partners to mitigate the threats to the Games and will also host visiting representatives from Interpol and Europol during the Games. In addition, SOCA collaborated with UK partners to identify threats to the Games and to prevent inappropriate individuals from gaining official Games accreditation.

Specialist Support

i) Firearms

There were a total of 87 firearm support deployments during the year. 25 of these were as a result of partner requests. SOCA deployed Silver Commanders to provide specialist tactical advice to partners on 7 occasions.

▼▼▼

Armed surveillance support to apprehend a murder suspect

In February SOCA responded to a request for armed surveillance support from Avon and Somerset Constabulary to assist in the search for Stephen Farrow, who was suspected of having recently murdered two elderly people. Farrow was located in Folkestone and surrendered himself to Kent Police. The Chief Constable of Avon and Somerset Constabulary wrote to SOCA's Director General to thank him for SOCA's assistance, commenting that: *'The speed and professionalism that was demonstrated by SOCA was outstanding and in the finest traditions of law enforcement.'*

▲▲▲

ii) Kidnap and Extortion

During the year SOCA's Anti-Kidnap and Extortion Unit (AKEU) received 459 reports of kidnap, 146 of blackmail/extortion and 14 cases of product contamination. SOCA provided support to live operations in the UK and overseas on 380 occasions.

There were 237 threats to life referrals to SOCA. 43 of these were made by forces, the remainder were internal referrals arising from SOCA intelligence linked to its operational activity.

▼▼▼

Scottish Policing Award

SOCA received an award from the Scottish Cabinet Secretary for Justice at the Scottish Policing Awards held in November for its part in the design, development and delivery of three ground breaking 'tiger kidnap' exercises in conjunction with the Scottish Crime and Drug Enforcement Agency (SCDEA), a number of high-street banks and members of the senior representatives from major banks.

iii) Counter Corruption

SOCA provided covert operational support in corruption cases on 13 occasions and tactical advice and/or support in corruption cases on 17 occasions.



Private investigators convicted

In February four private investigators were convicted and sentenced for committing fraud by false representation. The case involved the illegal acquisition of confidential information. Following the seizure of a number of computers, SOCA's forensic analysts retrieved files showing that Philip Campbell Smith, Adam Speers and Graham Freeman had been tasking a fourth person, Daniel Summers, to obtain confidential information for payment.



iv) Fugitives

New campaigns were launched under Operations Captura and Return, in which the details of individuals who are believed to be residing in Spain and the Netherlands respectively and who are wanted by UK law enforcement are published by Crimestoppers.

At 31 March 2012, 48 of the 65 Captura subjects believed to be residing in Spain but wanted in the UK have been arrested and returned to face criminal proceedings under European Arrest Warrants (EAWs). One case was that of Anthony Fraser, who was wanted in relation to a drugs investigation dating back to 2009. He gave himself up to the authorities in Gibraltar, citing pressure following the publication of his photograph as his reason for doing so. His ability to travel within Spain had been severely limited and he was unable to earn a living there.

Activity under Operation Return resulted in the arrest in September in Nigeria of a dangerous criminal wanted by SOCA and Lancashire Police. SOCA officers worked with the Nigerian National Drug Law Enforcement Agency to locate and arrest Dion Kendrick Lee, wanted in connection with Class A drugs and firearms offences. In total 4 individuals have been surrendered to the UK under Operation Return.

SOCA assisted HMRC by notifying it of the details of fugitives who were returned to their home country, and who had been claiming tax credits in the UK. An interagency data sharing arrangement enabled HMRC to terminate payments to these individuals yielding a figure of approximately £600,000.

v) Expert evidence

Expert evidence provided by SOCA in relation to the use and benefits of phenacetin in the UK cocaine market secured a number of convictions for conspiracy to supply cocaine. In one example, Ioan Rauca, a Spanish national was sentenced in July, having been apprehended by UKBA at Luton Airport in January 2011 with 25 kilograms of phenacetin in his luggage. SOCA's evidence demonstrated the principles of adulteration, the criminal use of sophisticated cutting agents and current UK cocaine market dynamics which made this type of smuggling a necessity. This was sufficient to persuade the jury that he was guilty of conspiracy to supply cocaine, despite there being no other evidence to infer that this was the case.

Part Two – Conclusions and next steps

SOCA's planned activity for 2012/13 is set out in its Annual Plan, published at the end of March 2012. All SOCA activity will continue to be aligned to the National Security Strategy and the subordinate strategies flowing from it, including on organised crime, drugs, cyber security, human trafficking, fraud and building stability overseas.

Activity will continue to be driven by the following priorities:

- ▶ the dislocation of those criminal markets where SOCA has the lead responsibility for UK law enforcement and support to other agencies in areas for which they have the lead;
- ▶ the systematic management, on a risk basis, of all SOCA Persons of Interest (PoIs) identified as involved in organised crime impacting on the UK, through effective information management and planned interventions; and
- ▶ the delivery of more law enforcement activity against more organised criminals, at reduced cost and securing criminal convictions against the most serious criminals.

Additionally SOCA will support the seamless transition of SOCA into the planned NCA while maintaining the tempo of SOCA's operational activity.

Drugs

In line with the Drug Strategy, SOCA will strengthen its efforts along the whole heroin and cocaine supply chain to restrict the supply of drugs and cutting agents and further increase costs, and risks, to organised criminals. SOCA will continue to work with overseas partners to improve the capacity of source and transit countries to tackle drug trafficking to disrupt the flow of illicit drugs, new psychoactive substances and cutting agents entering the UK. Activity against drug traffickers will also aim to reduce further the profitability of the illegal drugs trade through asset recovery including in respect of assets held overseas.

In the UK, SOCA will work with ACPO, CPS and others to disrupt and dislocate the UK drugs market through targeted, hard-edged enforcement and the use of a wider range of innovative interventions. Building on success this year, SOCA will continue to disrupt the activity of organised criminals coordinating the trafficking of drugs from prisons.

On new psychoactive substances, SOCA will work closely with partners to respond effectively to the rapidly changing landscape. This includes managing the emerging risks and threats emanating from the supply of these drugs. In support of the New Psychoactive Drug Plan, part of the Drug Strategy, there will be a focus on establishing the scale and nature of the problem and developing and implementing more effective interventions including activity against websites.

Criminal finances and profits

SOCA's work sits within a wider law enforcement and policy framework on criminal finances and profits and it will continue to support the Government's work to develop a more strategic approach to tackling criminal finances.

SOCA will contribute to activity through the relevant Threat Reduction Board, chaired by HMRC. In particular, SOCA will continue to work with partners in law enforcement, government and the regulated sector to impact on the threat of criminal exploitation of the Money Service Business (MSB) Sector.

SOCA will deliver threat assessments in relation to both MSB exchange and remittance activity by July 2012. These will be supported by comprehensive programmes of activity designed to impact on the ability of criminal groups to exploit identified vulnerabilities, working with HMRC and other partners.

SOCA will focus on the role of 'International Controllers' based in foreign jurisdictions who facilitate money laundering activity on a global basis. They will work with international partners within the Strategic Alliance Group to identify relevant jurisdictions of risk and identify programmes

Part Two – Conclusions and next steps

of activity designed to impact on the ability of ‘Controllers’ to operate.

SOCA will continue to develop the Expert Laundering Evidence programme to assist UK law enforcement in the prosecution of money laundering offences linked to criminal exploitation of Alternative Remittance Systems and cash smuggling.

SOCA will continue to work with its partners overseas to identify emerging threats in terms of money laundering and implement appropriate disruption techniques.

Cyber

During the second year of the National Cyber Security Programme (NCSP), SOCA will deliver increasingly impactful outcomes of the type described in Part One. In addition, it will deliver and commence the implementation of a SOCA Digital Plan, which will ensure the alignment of NCSP priorities with those of the NCA National Cyber Crime Unit programme. In 2012/13 SOCA will commence the first phase of mainstreaming digital forensic and open source capability, deploy SOCA Cyber Liaison Officers in key locations overseas, and enhance the skills of the SOCA International Network. SOCA will commence delivery of a Cyber Training Strategy across the organisation to support the mainstreaming agenda, and provide the infrastructure, knowledge and skills to encourage increased cyber operational activity across the whole organisation.

Firearms

On firearms, SOCA will continue its close working with ACPO and NABIS in the UK, and with partners overseas to enhance co-ordinated intelligence sharing, identify key trends and implement improved disruption activities focused on those organised criminals that constitute the most significant threat.

Organised Immigration Crime

SOCA will further contribute to the dislocation of those criminal markets where other agencies have the lead responsibility by active participation in the relevant Threat Reduction Boards.

On organised immigration crime SOCA’s aim is to work closely with UKBA to further develop a more coordinated upstream response in source and transit countries where the threat is greatest. SOCA will continue to work with Europol and its constituent parts to widen the scope for opportunity for action. SOCA will continue to support the Human Trafficking Strategy, including enhancing the ability to act early, and improving victim identification and care. SOCA will also further target enabling activity and those involved in it. SOCA’s engagement and close working with ACPO compliments its overall delivery to organised immigration crime in all these areas.

Fraud

On fraud, SOCA’s focus will be on supporting the Fighting Fraud Together Strategy, alongside public and private sector partners, primarily through awareness raising and target hardening activity. This will contribute to more effective action against the highest priority criminals perpetrating fraud, and enablers of fraud. SOCA will also contribute to the response to fraud threats associated with the London 2012 Olympic and Paralympic Games.

Specific actions under the Organised Crime Strategy

The UK Organised Crime Strategy ascribed an action to SOCA to produce a national threat assessment on the extent of corruption, a significant enabler, by organised criminals in the UK public and private sectors. SOCA will deliver the report, including recommendations to tackle the threat, to the Home Office in 2012.

SOCA is also leading on the coordination and preparation of regular horizon scanning reporting for Ministers, policy

Part Two – Conclusions and next steps

and law enforcement partners. This will include analysis to inform the UK Threat Assessment of Organised Crime.

Piracy

SOCA continues to be involved in discussion across government regarding the required UK response to Somali piracy, including the development of the Regional Anti-Piracy Prosecutions Intelligence Coordination Centre (RAPPICC).

National Crime Agency

On 1 April 2012 the following functions transferred from the NPIA to SOCA on an interim basis until they become part of the NCA when it is established. The NPIA teams transferred to SOCA as a whole, along with their budgets and 161 staff (169 posts) as set out in a Written Ministerial Statement by the Home Secretary on 15 December 2011. SOCA is working with the Home Office to ensure continuity of service and a smooth transition into NCA. The five teams involved are closely related in the way they support forces and often work together to help solve investigations.

- ▶ Central Witness Bureau;
- ▶ Crime Operational Support Unit;
- ▶ National Missing Persons' Bureau;
- ▶ Serious Crime Analysis Section; and,
- ▶ Specialist Operations Centre.

As reported in Part One, SOCA also assumed certain functions from the Forensic Science Service (FSS) and will manage these accordingly until the planned NCA is operational.

Organised Crime Coordination Centre (OCCC)

Over the next year, the OCCC will become fully operational as the majority of the remaining national functions are transferred in. A fully functioning OCCC will maximise

the opportunities to share intelligence across the law enforcement community and provide for greater coordination of activity against organised crime and more effective deployment of resources so that they have the greatest impact on organised crime affecting the UK.

SOCA will continue planning for the move in late 2013 to the Scottish Crime Campus at Gartcosh, which will see law enforcement agencies working to both devolved and UK-wide legislation and accountability operating under the same roof.



Part Three: Statement of Accounts 2011/12





Management Commentary

Statutory Background

SOCA is an Executive Non-Departmental Public Body (NDPB), reporting to the Home Secretary, and financed primarily by Grant-in-Aid from the Home Office together with funding from other government departments and bodies including the Scottish Executive and the Northern Ireland Office.

SOCA assumed its statutory functions on 1 April 2006. It brought together staff from the National Crime Squad (NCS) and the National Criminal Intelligence Service (NCIS), staff and resources from HM Revenue and Customs (HMRC) to support the transfer to SOCA of certain work on drug trafficking and associated criminal finance, and some of those dealing with organised immigration crime in the former UK Immigration Service. SOCA has added to this a number of individuals with other backgrounds to widen the skills available. The NCS and NCIS ceased to exist on 31 March 2006. On 1 April 2008 the Assets Recovery Agency (ARA) merged with SOCA and this merger resulted in new civil recovery arrangements within SOCA. ARA as an entity ceased to exist on 31 March 2008.

In April 2010 the UK Human Trafficking Centre (UKHTC) became part of SOCA. It continues to have its own management board and retains its previous identity and functions.

The Child Exploitation and On-line Protection (CEOP) Centre is an affiliated unit and while it has operational independence from SOCA it is accountable to the SOCA Board through a Board chaired by a Non-Executive Director of SOCA. It publishes its own separate annual review. Resources allocated to CEOP are included in the SOCA Statement of Accounts.

Statement of Purpose and Vision

SOCA is an intelligence-led agency with law enforcement powers.

The Home Secretary sets SOCA strategic priorities and will judge the success of its efforts. Within that framework, SOCA plans its priorities, including how it exercises the functions given to it by statute, and what performance measures it adopts.

Principal activities

SOCA is a UK-wide organisation with international reach tasked by the Home Secretary. SOCA's main functions are set out in the Serious Organised Crime and Police Act 2005 (SOCAP). They are to prevent and detect serious organised crime, to contribute to its reduction in other ways and to the mitigation of its consequences, and to gather, store, analyse and disseminate information on crime. In addition, SOCA is required to provide support to UK law enforcement partners. It provides and manages, on behalf of the UK, the UK Financial Intelligence Unit, the Interpol and Europol Bureau functions, one of the two UK Central Authorities for the European Arrest Warrant regime, the National Compromise Database and other similar roles.

Part Three: Statement of Accounts 2011/12

In 2011/12 SOCA's approach continued to reflect the strategic tasking letters provided to the Agency by the Home Secretary. It also reflected a number of Government strategies, in particular:

- ▶ the National Security Strategy (NSS) which considered large scale cyber crime; an increase in the level of organised crime affecting the UK, and a significant increase in the level of organised criminals, illegal immigrants and illicit goods trying to cross the UK border to enter the UK to be among the priority risks to the UK;
- ▶ the Organised Crime Strategy, published in July, which established a cross-government and multi-agency approach with defined national priorities in respect of organised crime, based on the themes of Stem, Strengthen and Safeguard; and
- ▶ further strategies including Drugs, Cyber Security, Human Trafficking and Building Stability Overseas.

During 2011/12 SOCA worked closely with its partners to develop the newly established Threat Reduction Boards (TRBs) which reflect the key threat areas set out in the United Kingdom Threat Assessment (UKTA) and support the Government's Organised Crime Strategy.

SOCA's approach in response to these requirements was to prioritise:

- ▶ the dislocation of those criminal markets where SOCA has the lead responsibility for UK law enforcement and contributing to the dislocation of those criminal markets where other agencies have the lead responsibility;
- ▶ the systematic management, on a risk basis, of all SOCA Persons of Interest (PoIs) identified as involved in organised crime and causing harm to the UK, through effective information management and planned interventions; and
- ▶ the delivery of more law enforcement activity against more organised criminals, at reduced cost and securing criminal convictions against the most serious criminals.

The work described in this document was undertaken by approximately 3,700 full-time equivalent staff. SOCA operates from around 30 sites in the UK and in some 40 countries worldwide. Most overseas posts maintain a wider remit than the country in which the officers are stationed, enabling an operational reach across more than 150 nations. On 31 March 2012, a snapshot of staff deployments showed that just under 86 per cent (2010/11: 81 per cent) of SOCA staff were then deployed on criminal and civil justice casework, on covert collection capabilities such as interception, surveillance and human source intelligence that supported it, and on providing assistance to others at home and overseas with their casework.

Part Three: Statement of Accounts 2011/12

Results for the year and financial position

<i>Funding Source</i>	<i>Resource Expenditure 2011/12</i>			<i>Capital Expenditure 2011/12</i>			<i>Overall Underspend Of DEL Allocations £m</i>
	<i>Budget £m</i>	<i>Actual £m</i>	<i>Over/ (Under) Spend £m</i>	<i>Budget £m</i>	<i>Actual £m</i>	<i>Over/ (Under) Spend £m</i>	
DEL Allocations	416.6	410.1	(6.5)	31.3	32.1	0.8	(5.7)
AME Expenditure Approval	5.1	4.8	(0.3)	-	-	-	
Externally Funded Capital Projects	-	-	-	2.6	1.9	(0.7)	
Sub Total – Budget Comparisons	421.7	414.9	(6.8)	33.9	34.0	0.1	
Actuarial gain on pension reserve	-	(7.2)	-	-	-	-	
IAS 19 Pension charge (non-budget)		20.2			-		
Total Expenditure Per Accounts		427.9			34.0		

SOCA controls expenditure against four different reporting categories, the most significant of which is the Departmental Expenditure Limit (DEL) budget that is allocated annually for resource and capital. In 2011/12 SOCA underspent its resource DEL allocation by £6.5m but overspent the capital allocation by £0.8m. Overall, DEL allocations were underspent by £5.7m (1.3%).

SOCA DEL budget reduced year on year by £15.2m to £416.6m for Resource related spend and remained static at £31m for Capital related spend to reflect the austerity measures being implemented by the Home Office.

SOCA under spent its resource delegated budget by £6.5m primarily due to recruitment policy in delivering the approved headcount. The cost of employed staff reduced by £20m (to £222m) compared to last year in line with the reduced headcount. SOCA also reacted positively to the budget pressures by reducing agency staff, contract staff and overseas staff and by implementing, in successive years, HM Treasury approved early exit opportunities for senior staff. Internal restructuring has ensured best use of funds and staff resources available.

Operating expenditure remained relatively stable year on year, when the Onerous Lease Provision is excluded, but it should be noted that operational and operational communications costs increased whilst costs relating to accommodation, travel and subsistence, office and general expenses and professional services and fees reduced.

Capital spend focused on new accommodation that enables the consolidation of resources from numerous smaller sites and on-going business change projects, all of which enable SOCA to improve operational effectiveness.

Annually Managed Expenditure (AME) budgets relate to volatile expenditure managed outside DEL budgets for which cover is provided by the Home Office. In 2011/12, AME expenditure reported by SOCA included capital asset indexation and movements in Legal, Lease, Bad Debt and Dilapidation provisions. The creation of a provision is a charge to AME; expenditure incurred in relation to a provision is treated as DEL.

SOCA's accounts include externally funded Capital Expenditure which is fully recharged to scheme sponsors.

Part Three: Statement of Accounts 2011/12

IAS19 expenditure covers the annual fluctuations in the actuarial assessment of Pension Scheme liabilities. In 2011/12 the charge for changes in the actuarial valuation is £20.2m (2010/11: a credit of £49.8m was reported).

Going Concern Statement

The activities of SOCA are primarily financed by the Home Office.

The Statement of Financial Position at 31 March 2012 shows net liabilities of £316.3m (2010/11 restated: £300m). This reflects the inclusion of pension liabilities falling due in future years which, to the extent that they are not met from SOCA's other sources of income, may only be met by future grants or grant-in-aid from the Home Office, SOCA's sponsoring department. The liability occurs under the normal conventions applying to parliamentary control over income and expenditure; such grants may not be issued until the liability falls due.

Grants and Grant-in-Aid for 2012/13, taking into account the amounts required to meet SOCA's liabilities falling due in that year, have already been included in the Home Office's Estimates for that year. These have been approved by Parliament and there is no reason to believe that the Home Office's future sponsorship and future parliamentary approval will not be forthcoming. It has, therefore, been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

The Government has set out plans for the creation of a National Crime Agency (NCA) by 2013. This would incorporate the functions currently exercised by SOCA, as well as a number of other national policing functions including a Border Police Command, which was outlined in the Coalition Agreement. The Home Secretary will outline her plans for the new agency during the course of this year and legislation proposing the dissolution of SOCA and the transfer of its functions to the NCA has been brought to Parliament for consideration. The basis of the transfer from the Serious Organised Crime Agency to the National Crime Agency is proposed to be undertaken within the principles set out in the Machinery Of Government framework.

Financial Instruments

Due to the largely non-trading nature of its activities and the way in which it is financed, SOCA is not exposed to the degree of financial risk faced by commercial entities. Further information with respect to risk management and strategy is provided in Note 8.

Remuneration of the External Auditors

The remuneration for the NAO is disclosed in Note 4 of the accounts totalling £0.132m (2010/11: £0.147m).

Compliance with Public Sector Payment Policy

SOCA policy, in line with Government requirements, is to pay all invoices within 30 days of receipt, unless a longer payment period has been agreed or the amount billed is in dispute. SOCA monitors its statistics monthly, with all departments taking action as necessary.

Part Three: Statement of Accounts 2011/12

<i>Payment statistics at 31 March:</i>	<i>2011/12 (%)</i>	<i>2010/11 (%)</i>
Paid within 5 days	17	17
Paid within 10 days	40	38
Paid within 30 days	93	91

In both 2011/12 and 2010/11 SOCA paid £nil interest to suppliers under the Late Payment of Commercial Debts (Interest) Act 1998.

SOCA has complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance.

SOCA Sustainability Report 2011/12

Introduction

This is SOCA's first full Sustainability Report. SOCA is committed to reducing its impact on the environment and does this by setting targets and monitoring performance in the Agency's Estates and Sustainability Strategy. This strategy is part of SOCA's overall Investment and Capability Strategy; this document identifies and defines the performance measures and statutory requirements with Connected Reporting, Greening Government, Greening ICT and the Carbon Reduction Energy Efficiency Scheme.

Framework

SOCA is working towards a set of challenging Government targets to be met in 2015. These are:

- ▶ Recycle 75% of waste;
- ▶ Reduce waste by 25%;
- ▶ Reduce Water consumption by 25%;
- ▶ Cut carbon emissions by 25%;
- ▶ Cut domestic business travel flights by 20%.

Establishing Baselines

One of the key requirements of the Greening Government Commitment, and subsequent reporting, is to establish a robust baseline, which can be used to measure performance improvements in the future.

SOCA is working collaboratively with its energy providers to install smart metering in order to measure energy consumption accurately. In 2010/11 about 60% of the Estate had smart-metered supply. At the end of 2011/12 this had increased to more than 75%. It has been a considerable challenge consistently to obtain the same level of information for water consumption. During 2012/13 SOCA will work with its water providers to attain uniformity in data recording. This will enable SOCA to identify areas of high usage, and to identify where actions can be taken to reduce consumption or rectify any leakage.

Additionally, during 2011-12 SOCA put in place mechanisms to measure accurately the following waste metrics:

- ▶ Total waste arising;
- ▶ Waste sent to landfill;
- ▶ Waste recycled/reused; and
- ▶ Waste incinerated.

Part Three: Statement of Accounts 2011/12

2011/12 Activities

SOCA complies with The Energy Performance of Buildings (Certificates and Inspections) (England and Wales) Regulations 2007 SI 2007/991 by displaying Energy Certificates, which are updated annually, and undertaking regulated Air Conditioning inspections.

A 3-year project is underway to identify savings and modify Building Management Systems to run at the most efficient and cost effective settings. Examples of this are:

- ▶ Recalibration of the plant running time in line with occupancy;
- ▶ Installation of manual over rides (3 hr duration) limiting out of hours running; and
- ▶ Rebalancing air conditioning systems to limit continuous heating and cooling of office space.

Investing in this and similar projects will reduce the carbon footprint, assist in the meeting of the targets and reduce running costs.

SOCA is also committed to raising staff awareness and will provide a platform to ensure that all corporate actions consider sustainability.

Work on a Sustainability e-learning package is now in the final stages. This will be rolled out in the near future and will enhance staff understanding and promote a proactive approach to both work and home environments.

SOCA is compliant with EU Directive Public Contracts Regulations 2006. Relevant new suppliers have an environmental strategy and policy. During the letting of contracts, SOCA tests compliance and seeks assurances from suppliers that framework and enabled arrangements are compliant.

During the year, SOCA made significant progress in updating and consolidating the operational estate. The Catalyst Programme, including the construction, refurbishment and fit-out of a new building, consolidating the operational estate in the North West of England was completed. This project was the last major piece of SOCA's Estate Strategy. SOCA is now actively disposing of surplus estate.

SOCA does not undertake any activity that requires a biodiversity strategy, and therefore has nothing to report in this area.

Performance Against Targets

2011/12 is a transitional year for SOCA with the consolidation of Estate is being finalised and the introduction of metered water across more of the Estate. This has led to some skewing of the energy and water consumption figures, due to both the construction works taking place and better information collection. This change in the 'boundaries' of the estate, and the unique nature of construction and fit out works during 2011/12 has led to a lack of comparability in the data presented between 2011/12 and 2010/11. For these reasons, an annual reduction target for 2011/12 could not be set.

Part Three: Statement of Accounts 2011/12

In view of the work SOCA has undertaken to ensure the Agency can collate credible data across the estate, and material changes to the operational buildings, SOCA will re-establish the baseline using the more reliable 2011/12 data.

To meet the stretching Government targets, SOCA must achieve an average reduction in consumption of 8% per year over each of the next three years. Most of the investment needed to achieve this is now complete, and the activities described above will result in 2012/13 giving a much clearer picture of progress towards these targets, as surplus estate is disposed of and energy consumption in current buildings is reduced. SOCA is now well placed to set annual reduction targets for each of the next three years.

As SOCA is now in a transitional phase, pending the establishment of the planned NCA, the Agency will be delivering additional responsibilities each year, such as the hosting of former NPIA functions from 1 April 2012. This will again impact on the 'boundaries' for sustainability reporting and SOCA will need to restate 2011/12 to include inherited estate. This will ensure future years are comparable.

2011/12 Performance Table

Area		Measure	2011/12 Performance	
			Actual	Target
Greenhouse Gas Emissions (Scopes 1, 2 and 3 Energy and Business Travel including International Travel)		ICO ₂ e	22,831	See above*
Estate Energy	Consumption	million KWH	30.2	See above*
	Expenditure	£000	2,824	2,210
Estate Waste	Amount	tonnes	93.6	
	Expenditure	£000	126	88
Estate Water	Consumption	m³	39,252.8	
	Expenditure	£000	123	85

*No targets were set for 2011/12 as described above.

Governance

SOCA provides quarterly sustainability reports, which are reviewed by the Senior Responsible Office and the Deputy Director Finance. The collection and presentation of data is also subject to review by SOCA's internal audit. Additionally, SOCA data is submitted to the Home Office (HO) for inclusion in their overall sustainability reporting.

In addition to the statutory data provided the following additional information gives more detail on the Agency's energy consumption and emissions for 2011/12.

Energy

Energy data for March 2012 is estimated based on the previous 11 months' consumption. A number of sites are billed quarterly and, where these are not aligned to the financial year, Quarter 4 consumption has also been estimated.

Part Three: Statement of Accounts 2011/12

	2011/12 <i>Consumption</i>	2011/12 <i>tonnes CO₂e</i>	2010/11 <i>Actual tonnes CO₂e</i>
Gas and Oil	7,799,655 kWh	1,461.7	1,645.2
Electricity	22,401,586 kWh	12,119.3	11,386.8
Total Energy Emissions		13,581.0	13,032.0

Travel

Travel data is complete for Quarters 1 to 3. Estimates for Quarter 4 are based on the previous three quarters. Exact emissions (CO₂e) cannot be calculated under the current recording systems; therefore the emissions total below is indicative only. No prior-year data is available for comparison.

	2011/12 <i>Consumption</i>	2011/12 <i>tonnes CO₂e</i>
Fleet Vehicles	2,552,252 litres	6,172.3
Private Vehicles use for Duty purposes	1,227,619 miles	404.4
Hire Vehicles	486,380 miles	137.7
Rail	3,946,135 miles	363.7
Air	10,683,205 litres	2,171.7
Total Travel Emissions		9,249.8

Waste

Waste data is provided from 1 November onwards in line with new contracts and recording systems; therefore no prior-year data is available for comparison. Quarter 4 data is estimated based on available data.

	2011/12 <i>tonnes</i>
Landfill	23.4
Recycled	44.0
Incinerated with energy recovery	26.3
Composted	0.2
Total Waste	93.9

Water

Water data for March 2012 is estimated based on the previous 11 months' consumption. Where sites are billed in multiple month periods, average consumption data is used. Current year data represents approximately 98% of consumption. Data recording has improved steadily from the previous year and it is anticipated that this will continue over the next reporting year.

Part Three: Statement of Accounts 2011/12

	2011/12 <i>m³</i>	2010/11
Total Water Consumption	39,252.80	<i>comparable data not available</i>

Conclusion

SOCA has continued to progress the installation of additional smart metering, working in partnership with service providers to establish structured data analysis. Projects undertaken have established direct savings by improving the efficiency and running times of plant. This is expected to continue, and feasibility of setting up a joint savings initiative with SOCA's facility management suppliers is currently being explored.

The roll out of e-learning, and accompanying staff presentations, are scheduled; these will raise the profile of sustainability within the Agency.

SOCA is aware that utilities usage shows an increase which can be explained in part by the fact that the original benchmark figures are not robust and suffer from estimations, which will continue to be managed out through increased use of smart metering. SOCA has agreed with the Home Office that the 2011/12 figures should be used to base line and provide more accurate and robust benchmark figures.

Working with SOCA's facility suppliers and Home Office colleagues on shared saving projects will be reviewed and best practice put into place with little or no cost to the department. This will enable SOCA to work towards achieving the targets with more confidence over the next three years.

Social and Community Issues

In order to target the needs of different parts of society, SOCA employs a Community Liaison Officer in every region of the country to develop community engagement strategies.

In addition SOCA:

- ▶ encourages its staff to participate in local community activities, including local and national charitable activities;
- ▶ supports local activity through a Community Fund with spend of £136k in year;
- ▶ worked in partnership with Crimestoppers; and
- ▶ operates an Estates Strategy that specifically targets minimum impact on the environment.

Inclusion, Diversity & Equality

SOCA is committed to treating individuals with respect and dignity. It seeks to create and maintain an environment which values all staff and respects the contribution they make and where fairness and equality of opportunity are assured. Inclusion, diversity and equality issues are embedded within all strategic planning, policy development and organisational processes.

SOCA aims to provide a positive environment in which everyone feels valued, and where the organisation is open to the experience, insights and skills of people of different age, disability, sex, gender reassignment, race, religion, belief, sexual orientation and political opinion. SOCA aims to support a range of work styles for individual staff members, while meeting organisational need. Respect for others is an integral part of the SOCA Performance Qualities Framework and is part of SOCA's recruitment process and annual individual performance reviews.

Staff engagement

SOCA communicates with its people through a mix of channels and mechanisms, with primary responsibility on managers to ensure staff have the information they need to do their jobs, and to discuss regularly issues within their teams. The channels of communication include:

- ▶ **Chairman's notepad and DG updates** – updates to staff on SOCA direction of travel, the first set in the broadest context, the second short regular single-issue updates.
- ▶ **Top team visits** to SOCA sites, including Question and Answer sessions, which are open to all and focus on the issues of the moment.
- ▶ A **monthly SOCA Narrative** providing a snapshot of core matters (also useful supporting material for management communication).
- ▶ **Team meetings** which set information in context, encourage discussion, answer questions and feed concerns back to senior staff.
- ▶ **SOCA intranet** for fast-time news, on-line information tools, an archive of material and a library of policies, handbooks, etc.
- ▶ **Weekly ebuletin** of news and information and a recap of all corporate stories from the past week, newly-published policies and forward-planning diary, etc.
- ▶ **Take it to the top** – a facility through which staff can put questions to the Board the answers to which are shared with staff.
- ▶ A **bi-monthly online magazine** – *Linx* – which uses features to explore the wider SOCA story.
- ▶ **Project boards and working parties** which focus on particular issues and tailor and target messages arising from their work to the people who need to know.
- ▶ **Staff awards ceremonies** to recognise and celebrate achievement.

Part Three: Statement of Accounts 2011/12

- ▶ **Staff surveys** to monitor engagement and to show us where we need to improve.
- ▶ An **induction programme** for new staff provides an overview of SOCA priorities, strategies, values and activities as well as covering areas such as health and safety and security.

Staff Sickness Reporting

SOCA staff were absent on sick leave for an average of 7.01 (Mar 11 to Feb 12) days per employee (2010/11: 6.3 days).

High Potential Recruitment and Development Scheme

SOCA developed the 'High Potential Recruitment and Development Scheme' (HPRDS) in order to recruit high calibre staff through internal and external recruitment campaigns. The scheme enables SOCA to recruit and retain the best people, drive efficiency and develop creative solutions to problems. Positions are advertised annually, subject to Government recruitment restrictions, during the year and successful candidates appointed. SOCA did not recruit to the HPRDS in 2011/12.

Subsequent events

The Serious Organised Crime Agency was directed by the Home Office to host a number of functions that until 31 March 2012 were part of the National Policing Improvement Agency (NPIA). From 1 April 2012 five functions transferred into SOCA. The transfer consisted of 161 staff (169 posts), the addition of two building leases, a number of fixed assets, and a resource budget of £10.3 million per annum.

The Accounting Officer, Trevor Pearce, authorised the 2011/12 Annual Accounts to be issued on the date of the Comptroller and Auditor General's audit certificate.

Virtual Global Taskforce Company

SOCA has a non-trading wholly owned subsidiary company called Virtual Global Taskforce Limited, a company limited by guarantee to the value of £10. This company was set up previously by the National Crime Squad for the Child Exploitation and On-line Protection Centre (CEOP) in order to protect the name of a registered trademark, and ownership passed to SOCA on 1 April 2006. The company is currently dormant.

Reporting of Personal Data Related Incidents

There were no personal data related incidents in 2011/12 which required a report to be made to the Information Commissioner.

There was one incidence of the loss (in the post) of protected personal data relating to one person only. SOCA has reviewed and updated its procedures in light of this incident.

Part Three: Statement of Accounts 2011/12

Declarations

- 1) As far as I am aware, there is no relevant audit information of which the auditors are not aware.
- 2) I have taken all steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the auditors are aware of such information.

Trevor Pearce QPM
Director General and Accounting Officer
Serious Organised Crime Agency
25 June 2012



Part Three: Statement of Accounts 2011/12

Remuneration Report

The Remuneration Report has been audited.

Appointment of Board of Directors of SOCA and Accounting Officer

The Chair and Non-Executive Directors of SOCA's Board are appointed by the Home Secretary. Martyn Thomas was appointed as a Non-Executive Director on 1 July 2011 and three Non-Executive Directors were appointed on 1 September 2009.

The Home Secretary approved the appointment of Trevor Pearce as Director General with effect from 1 September 2010.

The SOCA Board approved the appointment of Bradley Jones as Director Enforcement with effect from 1 September 2010 and Gerry Liddell as Director Strategy and Prevention with effect from 5 September 2011. This is in accordance with the requirements of SOCAP 2005 in respect of the body corporate of SOCA.

The Executive Directors are appointed through fair and open competition; such appointments may sometimes be filled by means of fixed term secondments from other organisations.

Senior Management salaries are based on recommendations of the Senior Salaries Review Body.

The salary of the Director General and Executive Directors includes London weighting allowance. Bonuses of £5k each paid to three of the directors in 2011/12, which are included in the below figures, relate to prior year performance. No bonuses for current year performance have been agreed.

Pool cars are available to directors for business purposes.

Details of 2011/12 remuneration in respect of salaries paid are set out below.

	<i>Date Appointed</i>	<i>Contract end date</i>	<i>Salary 2011/12 £'000</i>	<i>Bonus 2011/12 £'000</i>	<i>Benefits in Kind 2011/12 £'000</i>	<i>Full Year Equivalent salary 2011/12 £'000</i>	<i>Salary 2010/11 £'000</i>	<i>Benefits in Kind 2010/11 £'000</i>
<i>Director General</i>								
Trevor Pearce*	1 Sept 2010	N/A	145-150	5	-	145-150	85-90	-
<i>Chairman</i>								
Sir Ian Andrews	3 Aug 2009	2 Aug 2013	65-70	-	-	65-70	60-65	-
<i>Executive Directors</i>								
Malcolm Cornberg*	1 April 2006	N/A	145-150	5	-	145-150	145-150	45.2
Paul Evans*	1 April 2006	22 Oct 2011#	75-80	-	36.2	135-140	135-140	60.2
Bradley Jones	1 Sept 2010	N/A	105-110	-	-	105-110	55-60	-
Gerry Liddell	5 Sept 2011	N/A	60-65	5	-	100-105	-	-
<i>Non-Executive Directors</i>								
Peter Clarke	1 Sept 2009	31 Aug 2012	15-20	-	-	15-20	15-20	-
Sue Garrard	1 Sept 2009	31 Aug 2012	**	-	-	-	**	-

Part Three: Statement of Accounts 2011/12

	<i>Date Appointed</i>	<i>Contract end date</i>	<i>Salary 2011/12 £'000</i>	<i>Bonus 2011/12 £'000</i>	<i>Benefits in Kind 2011/12 £'000</i>	<i>Full Year Equivalent salary 2011/12 £'000</i>	<i>Salary 2010/11 £'000</i>	<i>Benefits in Kind 2010/11 £'000</i>
Francis Plowden	1 Sept 2009	31 Aug 2012	35-40***	-	-	35-40	30-35	-
Martyn Thomas	1 July 2011	31 Dec 2012	10-15	-	-	15-20	-	-

*The benefits in kind for these Directors, relate to accommodation. Neither Trevor Pearce nor Malcolm Cornberg received accommodation benefits in 2011/12 having relinquished them on 9 August 2010 and 20 March 2011 respectively. For 2010/11 the benefit in kind for Trevor Pearce, in his role of Executive Director, was £3.2k. Had Trevor Pearce been the sole occupant of the accommodation, the benefit in kind would have been £22.8k. Paul Evans relinquished his accommodation on 22 October 2011. Trevor Pearce's salary in 2010-11 is for the period 1 Sept 2010 to 31 March 2011 as Director General. Prior to 1 Sept 2010 Mr Pearce was an Executive Director with a full time equivalent salary in the range of £145-£150k.

**Non-Executive Director Sue Garrard is a public appointment by the Home Secretary. When she was first appointed she was a civil servant and as a result SOCA did not pay her annual salary or pension contributions. In January 2011 Sue Garrard resigned from the Civil Service to take a senior communications post within a multinational company. She has agreed to continue her role as a Non-Executive Director pro bono publico.

*** Non-Executive Director Francis Plowden has additional responsibility as Chair of the CEOP Board.

Mr Evans retired after 35 years 97 days of pensionable service and left under the Civil Service Pension Scheme Compensation Scheme 2010, Voluntary Exit provisions. Under these regulations, the compensation payment is based on one month's pay per year of service up to a maximum of 21 months for those under pension age. This is the standard tariff that applies to all members of the Civil Service scheme. Mr Evans received a payment of £237.3k.

Benefits and Pension contributions

In addition to salaries paid and taxable benefits in kind for accommodation and the associated taxes paid by SOCA, the pension entitlements of the Senior Management Team are disclosed below.

	<i>Employer's Pension contributions in 2011/12 £</i>	<i>Real increase in Pension 2011/12 £'000</i>	<i>Real increase in lump sum 2011/12 £'000</i>	<i>Total Accrued Pension at age 60 in 2011/12 £'000</i>	<i>Total Lump Sum at age 60 in 2011/12 £'000</i>	<i>Cash Equiv Transfer Value 2011/12 £'000</i>	<i>Real Increase in Cash Equiv Transfer Value 2011/12 £'000</i>
Trevor Pearce	31,493	0-2.5	0	10-15	0	221	32
Malcolm Cornberg	31,493	0-2.5	0	15-20	0	359	37
Paul Evans	18,440	0	0	0	0	0	0
Bradley Jones	23,588	0-2.5	0	5-10	0	156	16
Gerry Liddell	13,581	(0-2.5)	(0-2.5)	35-40	115-120	793	(18)

	<i>Employer's Pension contributions in 2010/11 £</i>	<i>Real increase in Pension 2010/11 £'000</i>	<i>Real increase in lump sum 2010/11 £'000</i>	<i>Total Accrued Pension at age 60 in 2010/11 £'000</i>	<i>Total Lump Sum at age 60 in 2010/11 £'000</i>	<i>Cash Equiv Transfer Value 2010/11 £'000</i>	<i>Real Increase in Cash Equiv Transfer Value 2010/11 £'000</i>
Trevor Pearce	30,035	0-2.5	0	10-15	0	166	25
Malcolm Cornberg	30,035	0-2.5	0	15-20	0	292	27
Paul Evans	32,469	0	0-2.5	55-60	175-180	1,168	2
Bradley Jones	12,977	0-2.5	0	5-10	0	123	10

Part Three: Statement of Accounts 2011/12

Cash Equivalent Transfer Values (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits the individual has accrued as a consequence of their total SOCA and related pre-cursor agency service, not just their current appointment. CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values (Amendment)) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when the pension benefits are taken.

Real Increase in CETV

This is effectively the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the individual and is worked out using common market valuation factors for the start and end of the period.

Related Party Transactions

The Directors' related party transactions for the year ending 31 March 2012 have been fully disclosed under note 18 and are also reported below.

One Related Party transaction took place in 2011/12 relating to Peter Clarke, Non-Executive Director, who is also a Board member for the Trustees at Crimestoppers.

Crimestoppers is a registered charity which has received monies from the SOCA Community Fund in 2011/12.

The distribution of the Community Fund is decided by a Board of Trustees. Peter Clarke is not a member of this Board. SOCA paid Crimestoppers £50k as a donation to support its activities. Peter Clarke was not part of the decision-making process.

Median Earnings of the work force and ratio between this and the highest paid Director

The median pay including allowances but excluding overtime for all employees of SOCA is £37.7k. The ratio of the remuneration of the highest paid director to this is 4.0. The highest paid Director was M Cornberg with a salary, including allowances of £151.8k.

Trevor Pearce QPM
Director General and Accounting Officer
Serious Organised Crime Agency
25 June 2012

Statement of the Accounting Officer's Responsibilities

Under the Serious Organised Crime and Police Act 2005, the Home Secretary has directed SOCA to prepare annually a Statement of Accounts in the form and on the basis determined by the Home Secretary, with the consent of HM Treasury. The accounts are to be prepared on an accruals basis and must give a true and fair view of the state of affairs of SOCA at the year-end and of its Income and Expenditure, Changes in Taxpayers' Equity, and Cash Flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- ▶ observe the Accounts Direction issued by the Home Secretary with the approval of HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ▶ make judgements and estimates on a reasonable basis;
- ▶ state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- ▶ prepare the financial statements on the going concern basis, unless it is inappropriate to presume that SOCA will continue in operation.

The Home Secretary has appointed the Director General as the Accounting Officer for SOCA. His responsibilities as Accounting Officer, including his responsibilities for the propriety and regularity of the public finances for which he is answerable, for the keeping of proper records and for safeguarding SOCA's assets, are set out in the Non-Departmental Public Bodies Accounting Officer Memorandum issued by HM Treasury and published in *Managing Public Money*.

Trevor Pearce QPM
Director General and Accounting Officer
Serious Organised Crime Agency
25 June 2012

SERIOUS ORGANISED CRIME AGENCY

2011/12 Governance Statement

Director General: **Trevor Pearce**

Area of responsibility: **Serious Organised Crime Agency**

Statement

As Accounting Officer of the Serious Organised Crime Agency (SOCA), I have personal responsibility for maintaining a sound system of governance, internal control and risk management within SOCA to support the achievement of the Home Office's policies, aims and objectives, whilst safeguarding public funds and departmental assets.

I confirm that I have reviewed the governance, internal control and risk management arrangements in operation within my area of responsibility at the end of the 2011/12 period. A system of internal control has been in place in SOCA throughout the period 1 April 2011 to 31 March 2012 which accords with HM Treasury guidance. I can confirm that there have been no failures or identification of poor processes and controls which have not been addressed and which merit mention in this statement.

The system of governance, internal control and risk management is designed to manage, rather than eliminate, the risk of failure to achieve policies, aims and objectives; it can therefore only provide high and not absolute assurance of effectiveness. I am satisfied that SOCA's control framework is fit for purpose and takes into account the external environment in which we operate.

Governance

SOCA is an Executive Non-Departmental Public Body (NDPB) of the Home Office. The governance arrangements for SOCA are set out in Schedule 1 of the Serious Organised Crime and Police Act 2005 (SOCAP) supported by the Management Statement and the Financial Memorandum for SOCA, all of which are complied with. Although SOCA's governance framework is set by primary legislation, SOCA has where possible complied with the principles of the Treasury and Cabinet Office Code of Good Practice on Corporate Governance.

SOCAP also provides the legislative basis for SOCA's functions, supplemented by the Serious Crime Act 2007 (in respect of civil recovery functions). These functions are to prevent and detect serious organised crime, to contribute to its reduction in other ways and the mitigation of its consequences, and to gather, store, analyse and disseminate information on organised crime.

In accordance with the specified governance arrangements, SOCA is led by a Board of five Non-Executive and four Executive members with the role of Chairing the Board separated from the role of Director General / Accounting Officer.

Part Three: Statement of Accounts 2011/12

Board members' attendance in the year 2011/12 was:

<i>Board Member</i>	<i>Actual Attendance</i>	<i>Possible Attendance*</i>	<i>Percentage Attendance</i>	<i>Comments</i>
Executive				
Trevor Pearce	10	10	100%	
Malcolm Cornberg	10	10	100%	
Paul Evans	4	4	100%	Last meeting as member was July 2011
Brad Jones	6	7	86%	Member from July 2011
Gerry Liddell	3	6	50%	Member from September 2011
Non-Executive				
Sir Ian Andrews (Chair)	10	10	100%	
Peter Clarke	8	10	80%	
Francis Plowden	10	10	100%	
Sue Garrard	3	10	30%	At the December 2011 Board meeting, it was noted that "Sue Garrard, non Executive Director, had been absent from a number of Board meetings. She continued to receive and comment on Board papers, however, and undertook her role as a NED pro bono in publico".
Martyn Thomas	7	7	100%	NED From July 2011

*No meetings of the SOCA Board were held in August 2011 and October 2011.

The Board has corporate responsibility for ensuring that SOCA fulfils the strategic priorities set by the Home Secretary and for promoting the efficient and effective use of staff and other resources. The priorities which the Board has set SOCA are:

- ▶ the dislocation of those criminal markets where SOCA has the lead responsibility for UK law enforcement and support to other agencies in areas for which they have the lead;
- ▶ the systematic management, on a risk basis, of all SOCA Persons of Interest (PoIs) identified as involved in organised crime impacting on the UK, through effective information management and planned interventions; and
- ▶ the delivery of more law enforcement activity against more organised criminals, at reduced cost and securing criminal convictions against the most serious criminals.

These are delivered through four enabling strategies: Operational; People; Investment & Capability, and Risk, Assurance & Security. Each of these has a Strategy Group chaired by an Executive Director with support from a Non-Executive Director.

Senior leadership to SOCA business is further supported by regular meetings of the Executive members of the Board and by weekly meetings of the Executive Tasking Group,

Part Three: Statement of Accounts 2011/12

SOCA works in close collaboration with UK intelligence and law enforcement partners, notably UK police forces, HM Revenue and Customs (HMRC) and the UK Border Agency (UKBA); the private and third sectors; and equivalent bodies internationally.

SOCA supports the operation of the Child Exploitation and Online Protection Centre (CEOP). CEOP is an affiliated unit and while it has operational independence from SOCA it is accountable to the SOCA Board through a committee chaired by a SOCA non-executive. It publishes its own annual review.

Internal Control and Risk Management

The Risk, Assurance and Security (RAS) Strategy is supported by a Risk Management Policy and Handbook which defines SOCA's risk management framework and related responsibilities and processes. In particular, SOCA has maintained a Strategic Risk Register (SRR) throughout the year which has been overseen by the organisation's RAS Strategy Group and periodically reported to the Executive Committee and the Audit and Risk Committee. The SRR is supported by underlying risk registers including, business areas, (where common process and risks apply across more than one business area, hub registers have been developed), project/programme management areas and CEOP.

The Agency has a defined risk escalation process and risks have been escalated during the year. These are described later in this statement. Any risks with a residual 'red' or 'amber/red' position are included in the quarterly performance report which is shared with the Home Office.

Support to the business is provided through the dedicated Risk Manager role within the HQ and Strategy business area.

SOCA's Financial Memorandum requires the Agency "to establish and maintain arrangements for Internal Audit in accordance with the Treasury's Government Internal Audit Standards".

The Corporate Assurance Strategy 2011/12 includes the Internal Audit Programme which sets out the proposed areas of internal audit coverage to meet this requirement for the 2011/12 financial year. The programme is designed to provide independent assurance to the Accounting Officer and is delivered by the Corporate Assurance Department (CAD). Oversight of the focus and effectiveness of the programme is through the Audit and Risk Committee, which is chaired by a designated Non-Executive Director. The Head of Corporate Assurance has provided a Green/Amber overall opinion (in accordance with the Government Internal Audit Standards) in respect of the whole of risk, control and governance for the year 2011/12.

The Corporate Assurance Strategy makes provision for the development of a centralised compliance audit capability to assess the level of compliance with controls and procedures. This capability was established during the year and pilot compliance visits to test the approach were undertaken in readiness for a full programme during 2012/13.

Opinion on the adequacy of process and controls may also be presented as a result of external inspection. Legislation provides for various bodies to undertake inspections, including:

- ▶ the Surveillance Commissioner
- ▶ the Interception Commissioner

Part Three: Statement of Accounts 2011/12

- ▶ the Information Commissioner
- ▶ Her Majesty's Inspector of Constabulary (HMIC)
- ▶ the Independent Police Complaints Commission (IPCC), and
- ▶ the National Audit Office (NAO)

I can confirm that there have been no failures or identification of poor processes and controls which merit mention in this statement. SOCA's Annual Statement of Assurance and its Statement on Internal Control (SIC) for 2010/11 did not report any problems for that year and therefore there is no action for me to report on in this Statement.

Performance

SOCA's objectives are set out in the Annual Plan. Detail on the content of its performance reports is provided in the Business Plan which sets out how it will organise and apportion resource to achieve objectives as set out in the Annual Plan.

The Board receives a monthly performance report on progress against the SOCA priorities. On a quarterly basis, the Home Office receives a report on SOCA's performance; including both quantitative and qualitative measures. This forms the basis for the quarterly performance meeting between the Chair, Director General and senior Home Office officials.

In addition, every six months SOCA reports in writing to the Home Affairs Select Committee on its performance.

The Director General, Executive Directors and Senior Managers are involved in regular meetings to discuss strategic issues with stakeholders, including members of the SOCA Board, and at different levels in the Home Office. The Director General and Chair of the Board also have regular meetings with the Home Secretary, Home Office Ministers and Ministers across Government.

Handling of Information Risk

The good standard of performance in the management of information risk recorded in 2010/11 was maintained in 2011/12. Under the direction of the Senior Information Risk Owner and the Risk, Assurance and Security Strategy Group which he chairs, SOCA continued to deploy the Information Assurance Maturity Model – with its six domains covering governance, training, risk management, through-life information assurance (IA), assured information sharing and compliance – as the framework for sustaining achievement against the core assurance requirements. The introduction of a new Information and Communications Technology (ICT) managed service provider provided the opportunity to plan a modernisation delivery programme, which was coupled with enhanced processes for accrediting the security status of the information systems and the implementation of more effective protective monitoring of their operation. Remedial work was commissioned for those business-critical systems which the risk assessments had identified as needing more resilience. In addition to the continuing quest to optimise the use of our information, including its exploitation by others in the law enforcement arena, the Government's transparency agenda was taken forward by the SOCA Board to enhance public visibility of SOCA's activity.

Security

During the reporting period, SOCA was subjected to a security incident comprising a Distributed Denial of Service attack on SOCA's external website. There is a likelihood that the website will experience further attacks and close monitoring will thus be a continuing requirement. However, the security, integrity and availability of SOCA's business activity has been maintained and security and information assurance measures underpin all SOCA infrastructure activity as demonstrated by close compliance with the Government's Security Policy Framework requirements. This approach naturally provides a sound platform on which to develop the components of the planned National Crime Agency.

Health and Safety plans

The Corporate Health and Safety Business Plan is developed via the Health and Safety Working Group in consultation with the trade unions and contains measurable targets aimed at fully implementing the organisational Health and Safety Management System, appropriately managing safety risks across all activities and continuously improving our health and safety performance. Progression on the annual targets is monitored via the Health and Safety Steering Group and the 2011/12 Plan is adequately on course for successful implementation. There is a Board level 'Champion' for Health and Safety.

Business Continuity Planning

The Executive Committee has identified a number of critical functions for SOCA. A critical function is defined as one where the failure to ensure its continued delivery may threaten life, legal compliance and/or the reputation of the Agency.

A Business Continuity Plan (BCP) is maintained and updated within the appropriate business group for each critical function; the maintenance of ICT services is included within this list and the maintenance of service levels written into the contract with the new ICT provider.

BCPs for the critical functions are reviewed on a quarterly basis and tested at least once a year. The Executive Committee reviews the list of critical functions on an annual basis. During the year, these arrangements were the subject of independent internal assurance activity and enhancements have subsequently been made.

Programme and Project Management

SOCA uses a blend of Prince2 and the Managing Successful Programmes (MSP) standard to manage all projects and programmes. This is the Major Projects Authority (MPA) standard for managing programmes.

All major projects are subject to a variant of Starting Gate process which is a mandatory element of the assurance regime for emerging major projects.

All capital and centrally-funded resource activity is preceded by approval and authorisation of an appropriate business case. SOCA has revised and streamlined the business case process and the new system will be reviewed regularly during the first year of use to ensure continuous improvement. The new Business Case form is the only recognised vehicle for seeking funding.

Part Three: Statement of Accounts 2011/12

All capital projects and programmes are directed by the Senior Responsible Officer (SRO) commensurate with the type and complexity of the investment activity.

All SROs are required to deliver mandated project and programme governance arrangements at project start-up, delivery and closure. Monthly reports to the formal governance bodies, the Investment and Capability Strategy Group (ICSG) and Investment and Capability Design and Review Working Group (ICD&RWG) include progress against any Gateway recommendations. These formal governance bodies monitor and manage data on both delivery of benefits and expenditure incurred and forecast within the annual approved / authorised envelope.

SOCA's key change programmes have embedded specialist resources leading planning, delivery and benefits realisation. This is a key component of reporting to SOCA's Investment and Capability Strategy Group and Gateway Reviews. Benefits Realisation Monitoring is managed by a dedicated team.

All SOCA's major programmes and projects are managed through regular assurance and stakeholder engagement. Controls ensure that problems are identified and addressed and that programmes are flexible.

Operational Delivery

All operational activity is subject to the appropriate risk, health and safety, and security assessments.

In December 2010 there was a Ministerial announcement that the Government had taken the decision to wind down the Forensic Science Service (FSS) by 31 March 2012. Continuity of forensic supply to the criminal justice system, continuation of service delivery to SOCA and value for money were priorities throughout this managed closure.

The FSS provided SOCA with mainstream forensic products and a range of specialist and support services which were not available elsewhere. These services include fingerprint chemical enhancement, crime scene investigators, drugs analysis, exhibit transfer and business support/helpdesk functions.

A competitive commercial process was undertaken in line with the National Forensic Framework Agreement (NFFA) for the provision of mainstream services and SOCA's Drug and DNA analysis work was awarded to an appropriate commercial organisation. It is not anticipated that the provision of forensic services to SOCA will be undermined by this transfer of mainstream forensic services.

The provision of some of the specialist services was subject to TUPE regulations and as a result a number of FSS staff transferred to SOCA. As part of this transfer, SOCA has taken custodianship of the FSS's National Drugs Intelligence function and the National Crime Scene Service capability. All Fingerprint Chemical Enhancement workload was redirected to SOCA's own Biometric Laboratory; transition risks are being actively managed. In 'owning' these services, SOCA has inherited the responsibility to ensure their continued delivery and the inherent risks (particularly to reputation) in any failure to do so. These risks are considered minimal and are being actively managed through the FSS project board.

Part Three: Statement of Accounts 2011/12

Financial Management

SOCA has a robust system of financial management which is achieved via:

- ▶ Budgeting and monitoring monthly resource income and expenditure incurred by SOCA, reporting as part of the management accounts to the Executive Committee and SOCA Board providing detailed information to the Chair, Non-Executive Directors, Executive Directors and Deputy Directors;
- ▶ Budgeting and monitoring monthly capital expenditure incurred, committed spend and profiling future spend as well as reviewing business cases, reporting details to the Investment and Capability Design and Review Working Group (ICD&RWG);
- ▶ Sound internal reporting mechanisms: preparing timely cash flow statements, drawing down Grant-in-Aid based on need (continuing to reduce cash balances as much as possible), and preparing monthly financial returns to record and forecast expenditure against budgets as requested by the Home Office;
- ▶ Following up all internal audit recommendations and assisting in the completion of the internal audit reviews for the general ledger, imprest and covert accounts. The Finance Department continues to make improvements to processes and controls as evidenced by improved internal audit reports; and
- ▶ Policies and procedures designed to make all payments using good internal control mechanisms are applied. The implementation of a new procurement system in March 2011 has made this the primary source of entry for payables activity and compliance although the system is still in the process of being embedded.

The Non-Current Asset Register (NCAR) continues to evidence marked improvement year on year.

The SOCA Finance Department restructured the accounting system to reflect organisational restructuring. Revised internal control and reconciliation processes were also implemented.

Indemnities

During the year, the Home Office extended the Parliamentary Minute for SOCA's use of indemnities including that for firearms training. The minute was laid in Parliament on 11 October 2011. Cover is now in place until the end of the Comprehensive Spending Review.

Part Three: Statement of Accounts 2011/12

People Management

SOCA's workforce is managed through a well-established workforce planning and resourcing regime. Recruiting externally to SOCA has, and continues to be, affected by the recruitment freeze. This has had particular impact upon recruitment to those grades predominately providing front line operational delivery and support.

During 2011/12, SOCA obtained approval to recruit staff to fill key operational posts. This initial approval allowed SOCA to target operational skills available elsewhere. In addition to external recruitment, SOCA has undertaken a review of structure, numbers and career pathways to address existing and emerging skills and knowledge requirements. There has also been increased focus on lateral internal development.

SOCA has an agreed and published People Strategy, the aim of which is "to provide a diverse workforce of the right numbers that is appropriately skilled, managed and motivated to support the Board's strategic vision."

This strategy provides a framework for staff, managers and the Human Resources (HR) function to work in partnership and build the capability of the workforce so that it is flexible to respond to the changing environment.

SOCA's annual training plan is developed against prioritised demand supplied by the business and the resourcing plan and signed off by People Strategy Group. Where appropriate, training course content is accredited externally and delivered by qualified trainers.

All staff participate in the Personal Development Scheme through which annual performance and personal development objectives are set against business plans. Performance is assessed at no less than six-monthly intervals.

Well established capability and misconduct procedures provide processes for dealing with shortfalls in standards of either performance or conduct and, where appropriate, the Independent Police Complaints Commission (IPCC) is fully engaged.

A comprehensive Occupational Health and Welfare system is in place providing a range of health care and employee support services.

A Single Equality Scheme is in place, the results of which are published annually.

SOCA's people are managed by a comprehensive suite of Policies and Operating procedures, ensuring that required standards of behaviour are clearly outlined. All HR policies and procedures are regularly audited to ensure they remain legally compliant and fit for purpose.

Over the past year the HR department supported SOCA through a comprehensive organisational restructure, the relocation of significant numbers of staff from a number of locations into a regional hub; overseen the inward transfer under TUPE of a group of staff from the Forensic Science Service and also delivered a successful early exit scheme.

Information Management

Information Risk

Information Risks are managed by the application of controls at three levels:

- a. management of risks relating to information assurance, specifically with respect to the availability, integrity and confidentiality of information;
- b. management of risks relating to compliance with legal obligations with relating to information; and
- c. management of risks arising from the operation of systems and processes, specifically ensuring that not only do these support the requirements of a. and b. above, but also underpin more widely the efficient and effective conduct of SOCA's operations.

Information Assurance

The management of information assurance follows procedures laid down by the Cabinet Office as directed by the Home Office. An information risk register is maintained and updated to reflect the quarterly assessment of risks to availability, integrity and confidentiality as evaluated by Information Asset Owners for SOCA's information systems. These are collated and reported to the Home Office. Controls are put in place to manage identified risks and changes to processes, systems and staff training are introduced where appropriate to reduce these risks.

One specific high risk was identified in the year relating to the resilience of a critical database. Immediate action was taken to reduce the risk and a longer term programme is being developed to replace the database.

There is a process for the central recording of all breaches of information security, however minor, and action is taken in relation to each breach with regard to lessons identified, management of staff (which may include disciplinary action) and process change if appropriate.

Legal Compliance

The management of legal compliance in respect of information focuses in particular on the Data Protection Act (DPA), the provisions for disclosure under the Criminal Proceedings and Investigation Act (CPIA), and the operation of information powers and obligations conferred on SOCA by the Serious Organised Crime and Police Act (SOCAP). There is also a range of other legislative provisions which impact on the management of specific aspects of SOCA's information, including inter alia the Proceeds of Crime Act, the Terrorism Act, the Regulation of Investigatory Powers Act, the Criminal Appeals Act, the Police Act, and the Public Records Act. SOCA also has obligations to ensure that the UK complies with some international treaty obligations with regard to the exchange of law enforcement information.

Management of DPA compliance is maintained on behalf of the Director General who is the data controller, and by the Public Information Compliance Unit which deals with subject access provisions, oversees staff training, advises on data protection issues and maintains a close liaison with the Information Commissioner's Office. In general DPA compliance is assessed as good,

Part Three: Statement of Accounts 2011/12

and any apparent weaknesses are being managed by a data compliance programme. SOCA's ICT modernisation programme and activities focusing on information management in the run up to the establishment of the NCA should support this work.

A significant issue relating to DPA compliance referenced in last year's Statement on Internal Control (SIC) was the need to address recommendations arising in an Information Commissioner's report released in January 2011 on the operation of the Suspicious Activity Reports (SARs) database. The issue attracted considerable political scrutiny in Parliament by the House of Lords. The introduction of an effective retention and deletion regime for SARs, and the deletion of some 600,000 SARs from the database was a major undertaking requiring resolution of a number of complex issues with partners, but was fully achieved within a timeframe acceptable to the Information Commissioner.

Court procedures apply rigorous scrutiny to management of CPIA disclosure and SOCA has an excellent record in this area which is a significant and complex operational risk for law enforcement in general. SOCA's operational officers are imbued in their training with the importance of effective disclosure management. There are well articulated processes and policies in place and central expertise to offer advice on complex cases.

The Information Department oversees the exercise of SOCA's information powers under SOCAP and maintains policy and processes to support this. There are no major concerns in this area, nor with most other areas of specific information related legal compliance that are handled through policy and process applied in relevant SOCA departments. Active risk management is applied to manage inward bureaux information provided to SOCA to maintain adequate review of, and response to, such information.

The management of the effectiveness and efficiency of information processes and systems generally in support of SOCA's operations is achieved through identification of requirements and development of systems by the multi-departmental effort under the aegis of SOCA's Information Systems and Operational Technology programme; and by the maintenance of policy and process, and monitoring of compliance, by the Information Department. While SOCA has systems in place that enable it to manage all its operational business, delays in the delivery of new capabilities for which requirements have been defined, the scaling back on the delivery of desired capabilities for reasons of affordability means planned improvements are being achieved more slowly than aspired to.

CEOP

The Chief Executive of CEOP is accountable to me for maintaining sound systems of internal control in the business areas for which he is responsible that support the achievement of CEOP's policies, aims and objectives, whilst safeguarding public funds and assets.

The Chief Executive of CEOP and the CEOP Board have managed and monitored the systems of internal control in the following way:

- ▶ Overseen a critical review of core systems of people management, ISM / ICT, finance monitoring and procurement and instituted stronger oversight approaches to all these areas.
- ▶ Appointed a Deputy CEO / Chief Operating Officer who undertook a reshaping of the business and developed a revised Business Plan and Performance Reporting system.

Part Three: Statement of Accounts 2011/12

- ▶ Continued to renew and refresh the range of partnerships that are essential to the effectiveness of CEOP in delivering safeguarded children, and the strategic framework that supports that.
- ▶ Upgraded the approach to risk identification, mitigation and management within the Centre in line with SOCA practice of risk management.
- ▶ Maintained and improved performance over the previous planning year.
- ▶ Operated a risk management regime scrutinised quarterly by the CEOP Board.

Cyber Programme

The purpose of the Cyber programme is to position SOCA as an integral part of the UK Government's Cyber Security Strategy by establishing the Agency as an International centre of excellence for combating cyber crime, capable of sustained, effective and timely interventions against the most significant organised cyber crime threats to the UK.

The key areas for development of cyber capabilities are Collection, Exploitation, Intervention and Mainstreaming and significant technical enhancements in support of the Programme are being delivered by our ICT commercial suppliers. Initial engagement with progressing these non-standard items was slower than initially planned but this is being closely monitored and managed.

Staffing for the Programme is being provided where possible from within SOCA, using existing resources to maximise early delivery and minimise impact on other areas within SOCA. To support this process a Training Needs Analysis for Cyber Investigation is under way. SOCA Learning and Development are liaising with other agencies to develop a composite way forward, including using shared training materials for both specialist and non specialist training. A strategy for dealing with the exit or redeployment of staff recruited to support the Programme when this work transitions to business as normal in year 5 onwards is a specific Programme deliverable. There is no risk to individuals as all staff employed on the Programme remain SOCA staff, and will remain so post programme closure.

Olympics

SOCA is supporting the wider governmental effort to ensure the delivery of a safe and secure Olympic Games through our contribution to a number of projects within the Olympic and Paralympic Safety and Security Strategy. SOCA is funded to deliver dedicated support in a number of areas and any associated risks are subject to satisfactory control.

Asset Management

SOCA takes a uniform approach to asset management and the business of the location, maintenance, status, current holder and ownership status of an asset. Maintaining this corporate record system is the responsibility of all SOCA staff. Policy and procedures are published together with a detailed working guide, training has been delivered and assets are now being routinely added according to business area need, and central direction.

Part Three: Statement of Accounts 2011/12

A new asset management system is now an increasingly adopted business process and good progress is being made with ongoing embedding of the system. Portfolio Office functions include confirmation from project managers that assets purchased under projects have been recorded on the system; reports are now capable of being run to cross-check this, and close the loop with the Finance Department regarding NCAR entries. Some development work is continuing to ensure that full functionality is available for all users, and the system is being extended to automate secure store handling direct to SOCA's contractor.

National Crime Agency Transition

The NCA transition and associated work is a key issue for Capability and Service Delivery. Preparation for the NCA has required the diversion of resources, whilst ensuring that business as usual is continued to a high standard. SOCA has managed the additional work load through reshaping at a high level. This has seen an Executive Director chairing the NCA Infrastructure Project Board and an associated reshuffle at deputy director level to ensure that adequate coverage is provided to NCA issues, and that usual functions continue to be covered through high level governance and authority.

SOCA's governance structures for projects and programmes have enabled additional requirements to be incorporated into existing programmes, for example the Organised Crime Coordination Centre is now included within the Catalyst programme, and a SOCA project manager is in place at the request of the Home Office.

The transfer of five functions from the National Policing Improvement Agency (NPIA) into SOCA, pending their final amalgamation into the NCA, was achieved by the target date of 1 April 2012. This was managed by a joint SOCA and NPIA Project Group, under the overall governance of the NCA Infrastructure Board. The original ambition for this transition to take place without additional resource requirements was not achievable. Home Office CPMG made an exception to fund £1.5m capital and associated resource to establish WAN connections to principal NPIA sites by 1 April 2012. Further work is underway to establish a confidential network and fully migrate business applications by autumn 2012. The availability of specialist IT resource, and the challenging timescales involved, continue to present risks to this work which are managed through the governance mechanisms described. Work also continues to ensure full transfer of agreed budgets and due diligence of the funding, resource and assets transferred across.

A project plan has been developed for internal NCA transition, which will require detailed consideration and revision once more detail emerges around the proposed blueprint for the NCA from the Home Office NCA Programme Team. The project plan enables relevant risks and issues to be identified, monitored and managed in a robust auditable manner.

The internal NCA Transition Plan is designed to implement the vision of the NCA Programme Team whilst maintaining SOCA's high standards of business delivery and causing minimal disruption to staff.

Evolve

'Project Evolve' directed strategic changes to the organisation's structure. Its principal delivery, namely the reshaping of SOCA's business areas, was subject to formal governance arrangements including the appointment of an SRO, project manager, project executive and the utilisation of independent assurance. It utilised regular formal project boards and focused on stakeholder engagement through the utilisation of business single points of contact (forming part of a developing

Part Three: Statement of Accounts 2011/12

business change network). Formal mechanisms including minutes, action logs, and risk registers have been utilised to ensure oversight of key deliveries.

Further steps taken during the reshaping phase, and as a result of a Benefit Realisation Review, have improved this scenario greatly by creating benefit profiles, developing a benefit map, setting up and managing a risk and issue statement, seeking external assurance and engaging with benefit owners and the SOCA Board.

ICT Modernisation Programme

The ICT Modernisation Programme (formerly the 2010 Programme) oversees the delivery of a multimillion pound ICT contract between SOCA and a consortium of commercial suppliers. The Programme is subject to close scrutiny externally and is managed through robust governance and assurance within SOCA. The Programme was the first IT Programme to go successfully through the Cabinet Office Efficiency Reform Group, it reports regularly to the Home Office in relation to progress and benefits realisation and is subject to Major Projects Authority Gateway reviews and assessments which produce recommendations that have all been implemented.

Within SOCA a number of management groups ensure service delivery within agreed parameters. The Programme is overseen by the Partnership Board consisting of representatives from SOCA and the consortium. The consortium has twice attended SOCA Board meetings and will do so again in the future, together with their tier one sub contractors. In addition to these stringent controls, the Programme is subject to all of SOCA's usual audit and internal assurance regimes.

The Programme is flexible to be able to respond to the changing needs of the business and the contract has recently been re-baselined for delivery.

Key Issues

I have reviewed the past 12 months of SOCA and I have no key issues to report.

Overall Assessment

In my opinion I am able to provide HIGH ASSURANCE regarding the internal control system in the areas for which I am responsible.

Trevor Pearce QPM
Director General and Accounting Officer
Serious Organised Crime Agency
25 June 2012

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of the Serious Organised Crime Agency for the year ended 31 March 2012 under the Serious Crime and Police Act 2005. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and Auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Serious Crime and Police Act 2005. 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 Serious Organised Crime Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Serious Organised Crime Agency; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on Regularity

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

Part Three: Statement of Accounts 2011/12

Opinion on financial statements

In my opinion:

- ▶ the financial statements give a true and fair view of the state of Serious Organised Crime Agency's affairs as at 31 March 2012 and of the net expenditure for the year then ended; and
- ▶ the financial statements have been properly prepared in accordance with the Serious Crime and Police Act 2005 and directions issued thereunder.

Emphasis of matter

Without qualifying my opinion, I draw attention to the disclosures made in note 1 to the financial statements concerning the application of the going concern principle in light of the announcement to dissolve the Serious Organised Crime Agency. This is subject to legislation and there is therefore uncertainty whether the Agency will continue to operate in its current legal form.

Opinion on other matters

In my opinion:

- ▶ the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Serious Crime and Police Act 2005; and
- ▶ the information given in the 'Management Commentary' and 'SOCA Sustainability Report' sections of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

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*

Date: 28 June 2012

Part Three: Statement of Accounts 2011/12

Serious Organised Crime Agency

Statement of Comprehensive Net Expenditure

As at 31 March 2012

	Note	2011/12 £'000	2010/11 Restated £'000	2009/10 Restated £'000
Expenditure				
Staff costs	2	(223,530)	(246,201)	(248,269)
Pension costs actuarial valuation	2	(20,168)	49,790	(22,603)
Depreciation and Amortisation	6,7	(48,448)	(39,873)	(35,817)
Operating Costs	4	(173,445)	(167,479)	(181,455)
Impairments, losses on asset revaluation, adjustments and write offs	6,7	256	(1,830)	(14,425)
		(465,335)	(405,593)	(502,569)
Income				
Funding received separate from Grant-in-Aid	5	24,301	27,687	30,314
Rents and service charges	5	194	56	62
Donations of goods and services	5	1,295	1,702	2,515
Other operating income	5	842	2,457	1,778
Recovery of costs	5	209	939	345
Total operating income		26,841	32,841	35,014
Net Expenditure before interest and tax		(438,494)	(372,752)	(467,555)
Tax	1 u)	(24)	1,037	(1,168)
Interest	10	-	-	-
Net expenditure after interest and tax		(438,518)	(371,715)	(468,723)
Surplus/(loss) on disposal of non-current assets		8	(352)	22
Net expenditure for the financial year		(438,510)	(372,067)	(468,701)

Other Comprehensive Expenditure

	Note	2011/12 £'000	2010/11 £'000	2009/10 Restated £'000
Net gain/(loss) on revaluation of Property Plant and Equipment	6	3,445	(1,437)	(1,216)
Net gain/(loss) on revaluation of Intangibles	7	0	0	0
Actuarial gain/(loss) on pension reserve		7,182	66,198	(147,664)
Total Comprehensive Expenditure for the year ended 31 March		(427,883)	(307,306)	(617,581)

Part Three: Statement of Accounts 2011/12

Serious Organised Crime Agency

Statement of Financial Position

As at 31 March 2012

	Note	2011/12 31 March £'000	2010/11 Restated 31 March £'000	2009/10 Restated 31 March £'000
Non-Current Assets				
Property, Plant and Equipment	6	139,844	144,348	139,816
Intangible non-current assets	7	30,699	37,919	39,782
		170,543	182,267	179,598
Other Non-Current Assets				
Receivables falling due after one year	9 c)	45	97	124
		170,588	182,364	179,722
Current Assets				
Trade and other receivables	9 a)	38,087	37,479	31,660
Cash and cash equivalents	10	49,014	32,285	27,599
		87,101	69,764	59,259
Total Assets		257,689	252,128	238,981
Current Liabilities				
Trade and Other payables	11 a)	(50,352)	(45,764)	(52,468)
Deferred income	11 a)	(1,260)	(405)	(648)
		(51,612)	(46,169)	(53,116)
Non-Current Assets plus Net Current Assets		206,077	205,959	185,865
Non-Current Liabilities				
IAS 19 Pension Liability	2 e)	(506,652)	(493,660)	(609,656)
Provisions	12	(11,847)	(9,074)	(4,072)
Other payables	11 c)	(3,871)	(3,174)	(3,628)
		(522,370)	(505,908)	(617,356)
Assets less Liabilities		(316,293)	(299,949)	(431,491)
Taxpayers Equity				
Net Expenditure Reserve	16 a)	59,814	82,204	17,158
Revaluation Reserve	16 c)	9,395	5,950	5,652
Pension Reserve	16 b)	(385,652)	(392,834)	(459,032)
Donated Asset Reserve	16 f)	-	-	-
Government Grant Reserve	16 e)	-	-	-
Other Reserves	16 d)	150	4,731	4,731
		(316,293)	(299,949)	(431,491)

The Notes 1 to 25 form part of these Accounts

The financial statements were approved by the Board on 20 June 2012 and were signed on its behalf by:

Trevor Pearce QPM

Director General and Accounting Officer

Serious Organised Crime Agency

25 June 2012

Part Three: Statement of Accounts 2011/12

Serious Organised Crime Agency

Statement of Cash Flows

for the year ended 31 March 2012

	2011/12 £'000	2010/11 Restated £'0000
Cash flows from operating activities		
Net expenditure for financial year	(438,510)	(372,067)
Depreciation and Amortisation	48,448	39,873
Credit from Government Grant Reserve	-	-
Loss on asset revaluation	(256)	1,830
(Surplus)/Loss on disposal of non-current assets	(8)	352
Pension costs	20,168	(49,790)
(Increase)/Decrease in receivables falling due after one year	52	27
(Increase)/Decrease in accounts receivables	(608)	(5,819)
Increase/(Decrease) in accounts payable and deferred income falling due within one year	5,443	(6,947)
Increase/(Decrease) for use of provisions	2,773	5,002
Increase/(Decrease) in accounts payables and deferred income falling due after one year	697	(454)
Net cash outflow from operating activities	(361,801)	(387,993)
Cash flows from investing activities		
Purchase of non – current assets, property, plant and equipment	(30,299)	(39,887)
Purchase of non – current intangible assets	(3,341)	(5,515)
Proceeds of disposal of property, plant and equipment	631	968
Net cash outflow from investing activities	(33,009)	(44,434)
Cash flows from financing activities		
Grant-in-Aid for capital expenditure	32,760	31,000
Grant-in-Aid for revenue expenditure	374,634	399,985
ARIS funding	8,726	6,128
Release of Other Reserves	(4,581)	0
Donated asset funding	0	0
Net Financing	411,539	437,113
Net Increase in cash and cash equivalents in the period	16,729	4,686
Cash and cash equivalents at the beginning of the period	32,285	27,599
Cash and cash equivalents at the end of the period	49,014	32,285

The Notes 1 to 25 form part of these Accounts.

Part Three: Statement of Accounts 2011/12

Serious Organised Crime Agency

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2012

	<i>Restated Inc & Exp Reserve £'000</i>	<i>Restated Pension Reserve £'000</i>	<i>Reval'n Reserve £'000</i>	<i>Donated Asset Reserve £'000</i>	<i>Other Reserves £'000</i>	<i>Restated Government Grant Reserve £'000</i>	<i>Restated Total Reserves £'000</i>
Balance at 31 March 2009	58	(311,368)	2,128	421	4,701	-	(304,060)
Re-statement	3,099	-	-	(421)	-	-	2,678
Re-stated balance at 31 March 2009	3,157	(311,368)	2,128	-	4,701	-	(301,382)
Changes in Reserves 2009/10							
Net gain/(loss) on revaluation of property, plant and equipment	-	-	3,524	-	-	-	3,524
Actuarial gain/(loss) on pension reserve	-	(147,664)	-	-	-	-	(147,664)
Total recognised income and expense for 2009/10	(468,701)	-	-	-	-	-	(468,701)
Grants received	-	-	-	-	30	-	30
Transfer for depreciation	-	-	-	-	-	-	-
ARIS funding	7,876	-	-	-	-	-	7,876
Grant-In-Aid received	474,826	-	-	-	-	-	474,826
Closing balance at 31 March 2010 restated	17,158	(459,032)	5,652	-	4,731	-	(431,491)
Changes in Reserves 2010/11							
Net gain/(loss) on revaluation of property, plant and equipment	-	-	298	-	-	-	298
Actuarial gain/(loss) on pension reserve	-	66,198	-	-	-	-	66,198
Total recognised income and expense for 2010/11	(372,067)	-	-	-	-	-	(372,067)
Grants received	-	-	-	-	-	-	-
Transfer for depreciation	-	-	-	-	-	-	-
ARIS funding received	6,128	-	-	-	-	-	6,128
Grant-In-Aid received	430,985	-	-	-	-	-	430,985
Closing balance at 31 March 2011 restated	82,204	(392,834)	5,950	-	4,731	-	(299,949)
Changes in reserves for 2011/12							
Net gain on revaluation of property, plant, equip	-	-	3,445	-	-	-	3,445
Actuarial gain/(loss) on pension reserve	-	7,182	-	-	-	-	7,182
Total recognised income and expense for 2011/12	(438,510)	-	-	-	-	-	(438,510)
Grants received	-	-	-	-	-	-	-
Transfer for depreciation	-	-	-	-	-	-	-
Release of unusable reserve	-	-	-	-	(4,581)	-	(4,581)
ARIS funding	8,726	-	-	-	-	-	8,726
Grant-In-Aid received	407,394	-	-	-	-	-	407,394
Closing balance at 31 March 2012	59,814	(385,652)	9,395	-	150	-	(316,293)

The Notes 1 to 25 form part of these Accounts.

Notes to the Accounts for the period ended 31 March 2012

1 Statement of accounting policies

1 a) Basis of preparation

These financial statements have been prepared in accordance with the 2011/12 Government Financial Reporting Manual (FReM) and Accounts Direction given by the Secretary of State for the Home Department with the consent of HM Treasury, under the Serious Organised Crime and Police Act 2005. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Serious Organised Crime Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Serious Organised Crime Agency for the period ending 31 March 2012 are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

The Child Exploitation and On-line Protection (CEOP) Centre is an affiliated unit and while it has operational independence from SOCA it is accountable to the SOCA Board. The accounts for CEOP are included within the SOCA statutory accounts.

The accounts have been prepared using the historical cost convention, as modified for revaluation of non-current assets, and have been prepared in accordance with:

- ▶ the accounting and disclosure requirements of the Companies Act 1985 to the extent that such requirements are appropriate to SOCA and are in line with the requirements of the Accounts Direction;
- ▶ applicable accounting standards issued by the Accounting Standards Board; and
- ▶ disclosure and accounting requirements of HM Treasury.

1 b) Grant-in-Aid and income recognition

Grant-in-Aid received is treated as financing because the funds received are regarded as contributions from the Home Office and credited to reserves.

Previously, Capital grants received, not part of Grant-in-Aid, were transferred to the Government Grant Reserve and released to the Statement of Comprehensive Net Expenditure to match the related depreciation charges. In accordance with changes in the FReM in respect of IAS 20, a change in accounting policy has been adopted. Where assets are financed by government grant the funding element is recognised as income and taken through the Statement of Comprehensive Net Expenditure. This funding can only be deferred if a condition imposed by the funder has not been met. SOCA has met all conditions set by funding providers. The accounts for prior years have been restated to reflect this change in accounting policy, i.e. the removal of the Government Grant Reserve.

Part Three: Statement of Accounts 2011/12

1 c) Pensions Reserve

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

1 d) Non current Assets

Expenditure incurred by SOCA on the acquisition of capital assets or expenditure which adds to the value of existing assets is capitalised, provided that the assets give benefit to SOCA for a period of more than one year. Where appropriate, SOCA will capitalise the cost of salaries attributable in developing the non-current assets as permitted within IAS 16.

Capital assets, both tangible and intangible, are assets normally costing or valued at or above a capitalisation threshold set by the SOCA Board (currently £5,000) and with an expected working life of more than one year. However, technical equipment assets, the individual components of which cost less than £5,000 but which are non-consumable in nature, will also be treated as capital assets. Non-consumable is defined as a multiple use item, of long duration (beyond one year), reconfigurable and can be a component part of an item that can be assembled.

Expenditure on the fit-out and works to buildings financed by operating leases is capitalised as a tangible non-current asset if the works add to the value of the building. Fit-out costs of all new buildings may include the costs of new furniture and equipment which individually cost less than £5,000 where the Accounting Officer considers that it is more appropriate to capitalise the initial costs. Future replacement costs of furniture and equipment will however be funded from the Resource budget subject to the costs being below the capitalisation threshold at the time of replacement.

Tangible non-current assets are carried at fair value for existing use.

SOCA proactively reviews the content of its Non-Current Asset Register (NCAR). Asset verification activity and capital investment development programmes enable SOCA to validate both the existence and value of assets currently recorded in the NCAR. The value of impairments on assets identified during these actions are charged immediately to the Statement of Comprehensive Net Expenditure.

Part Three: Statement of Accounts 2011/12

1 e) Depreciation and amortisation

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

<i>Asset type</i>	<i>Useful life</i>
Land and buildings	Land is not depreciated. Buildings are depreciated to their estimated residual value over the remainder of the buildings' estimated economic lives. The range of buildings' lives at 31 March 2012 is 2014 to 2036. With the exception of buildings vacated as part of the move to new premises in the north of England SOCA has no published plans to vacate any of these buildings.
Improvements to leasehold buildings	The shorter of the duration of lease or anticipated useful life of improvements, subject to maximum period of 10 years.
Motor vehicles	3-7 years
Plant and equipment	5 years
Furniture and fittings	5 years
IT equipment and software	3-5 years
Intangible non-current assets – IT licences	3-5 years

Tangible assets are revalued on a regular basis and are reported at current cost.

A full month's depreciation or amortisation is provided in the month following acquisition or first use and apportioned to the date of disposal. No depreciation is provided on Assets Under Construction until they are brought into use.

1 f) Revaluation

SOCA has a policy of revaluing its non-current assets (excluding free-hold properties) annually by applying Government-approved indices per asset type. Freehold properties are revalued every five years. Any gain on revaluation is credited to the Revaluation Reserve. A loss on revaluation is debited to the Statement of Comprehensive Net Expenditure to the extent that the loss exceeds the balance on the Revaluation Reserve for that asset.

No revaluation is undertaken on payments on account, assets under construction and intangible assets, being software and some consultancy costs, because of the nature of the expenditure. Assets under construction are subject to impairment reviews and no revaluation is applied until assets are brought into use. Intangible assets are valued at depreciated cost as a proxy for fair value.

1 g) Government Grant Reserve

Previously, Capital grants received, not part of Grant-in-Aid, were transferred to the Government Grant Reserve and released to the Statement of Comprehensive Net Expenditure to match the related depreciation charges. In accordance with changes in the FReM in respect of IAS 20, a change in accounting policy has been adopted. Where assets are financed by Government grant the funding element is recognised as income and taken through the Statement of Comprehensive Net Expenditure. This funding can only be deferred if a condition imposed by the funder has not been met. SOCA has met all conditions set by funding providers. The accounts for prior years have been restated to reflect this change in accounting policy, i.e. the removal of the Government Grant Reserve.

Part Three: Statement of Accounts 2011/12

1 h) Donated Asset Reserve

In accordance with changes in the FReM in respect of IAS 20 a change in accounting policy has been adopted. Where expenditure had been financed by grants in order to create the Donated Asset Reserve, the funding element is recognised as income and taken through the Statement of Comprehensive Net Expenditure. This funding can only be deferred if a condition imposed by the funder has not been met. SOCA has met all conditions set by funding providers.

1 i) Recovered Assets

The criminal confiscation, civil recovery and taxation provisions under the Proceeds of Crime Act 2002 (POCA) have been utilised by SOCA to deprive criminals of their illicit profits and assets. Consequently, proceeds from recovered assets are received and paid over to the Home Office. SOCA continues to participate in the incentivisation scheme whereby SOCA and referring law enforcement agencies receive a portion of the remittances as an incentive to build their asset recovery capacity (see note 1r).

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

SOCA currently manages bank accounts where recovered assets are deposited. Each year-end, the excess of civil recoveries over receivers' fees applied, net of any direct disposal costs, is paid over to the Home Office. For assets recovered through criminal and tax cases the amounts are paid over quarterly.

Section 280, Subsection 3 of the amended Proceeds of Crime Act 2002 enables the Director General to meet the costs of an appointed Interim Receiver from sums received from civil recovery proceedings in a way which directly mirrors the provisions in criminal confiscation cases in Parts 2 and 4 of POCA. The commencement date of the provision was 1 July 2005 and, thereafter, the costs of Interim Receivers and Trustees were permitted to be offset against eventual case proceeds. Assets and cash held by SOCA on behalf of third parties in relation to these activities are not reported in the SOCA accounts.

1 j) Foreign Currency

Transactions denominated in foreign currency are translated into sterling at the rate of exchange ruling on the date of each transaction, except where rates do not fluctuate significantly, when an average rate for the month is used.

Monetary assets and liabilities denominated in foreign currency at the Statement of Financial Position date are translated at the rates ruling at that date. Any translation differences arising are taken to the Statement of Comprehensive Net Expenditure.

1 k) Operating Leases

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

Part Three: Statement of Accounts 2011/12

1 l) Rental and service charges income

SOCA sub-lets one of its rented properties to another organisation on a commercial basis, ensuring that full occupancy is maintained on rented property in use. Rents and other property income received is recognised in the accounts on an accruals basis when goods/services have been provided by SOCA. The income is credited to the Statement of Comprehensive Net Expenditure at the date of recognition.

1 m) Liquid Resources

Liquid resources comprise cash balances held at bank accounts and as cash in hand. SOCA receives bank interest on its cumulative bank balance held but is required to pay to the Home Office any interest received.

1 n) Pension Costs

Employer contributions to the Principal Civil Service Pension Scheme and the Local Government Pension Scheme are charged to the Statement of Comprehensive Net Expenditure as incurred at the relevant percentage of employees' pensionable pay as specified by the pension scheme administrators. The annual charge is designed to reflect the cost of pension benefits over the employees' service life.

The cost of providing unfunded pension benefits for former police officers is charged to the Net Expenditure account over the qualifying service life of the officer. The qualifying service for these pension benefits includes prior service with a police force in addition to service with SOCA, although no funding is received from the officer's previous force in relation to this past service. The annual charge to the Statement of Comprehensive Net Expenditure is calculated so that the Statement of Financial Position provision reflects the proportion of the future pension liability relevant to accumulated qualifying service at the Statement of Financial Position date. The Police Pension liability includes a provision for future injury awards.

The Government Actuary's Department (GAD) has, in accordance with IAS 19, advised that any obligation arising from other long-term employee benefits that depend on length of service need to be recognised when service is rendered. As injury awards under the Police scheme are dependant on service, GAD has valued the liability expected to arise due to injury awards in respect of service prior to the valuation date. GAD has used historic data from police authorities to determine the expected incidence and size of future injury awards.

1 o) Value Added Tax

SOCA is registered for VAT but can only recover a very small proportion of VAT on purchases calculated by reference to certain taxable supplies, such as training and mobile telephone recoveries. Income is shown as net of VAT, where VAT is due, and expenditure is charged as gross. Any input tax recoverable is credited to the Statement of Comprehensive Net Expenditure. SOCA has recognised the change in VAT rate from 17.5% to 20%.

1 p) Donations Received

The Child Exploitation and On-line Protection (CEOP) Centre receives cash donations, donated assets and donations in kind, including staff time and use of assets, from various external sponsors and agencies. These donations are accounted for by

Part Three: Statement of Accounts 2011/12

following the guidance in the Charities Statement of Recommended Practice (SORP) which requires income to be recognised where donations in kind are received, matching expenditure in the Statement of Comprehensive Net Expenditure. This treatment departs from the Financial Reporting Manual (FRM) as set out under section 5.2.12 for assets received and section 4.5.1 for notional costs. However, SOCA has determined that the treatment under the SORP follows a clearer path for the reader of the accounts than the FRM treatment. Donations in kind are offset by notional expenditure such that there is a net nil effect on the accounts.

1 q) Payment of contributions to Interpol and other third parties

SOCA makes annual payments to Interpol at a contribution rate agreed by the Interpol Board. SOCA also makes annual payments to support the Sirene programme as part of the development of the Schengen Information System. SOCA accounts for these payments on an accruals basis.

1 r) Assets Recovered Incentivisation Scheme (ARIS)

ARIS funding received during the year is required to be spent within 12 months of receipt in accordance with Home Office direction.

ARIS monies received at 31 March 2012 and carried forward from 2011/12 for use in 2012/13 are included in the Income and Expenditure Reserve and disclosed separately in the Statement of Changes in Taxpayers Equity.

In prior years carried forward ARIS funding was disclosed as Deferred Income in the Statement of Financial Position, however, a change in guidance within the Financial Reporting Manual has indicated a need to reclassify this funding to a Reserve.

The Home Office has given SOCA exceptional approval to carry forward unspent 2010/11 ARIS funds, to the value of £6.9m, for a second year to 2012/13 and to be utilised according to pre-agreed criteria. In accordance with current practice ARIS cash receipts in 2011/12 will be carried forward and utilised in 2012/13.

1 s) Provisions

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

The Retirement Provision has been created to provide for expected future pension obligations in accordance with the HM Treasury-approved exit scheme SOCA adopted in October 2010. The valuation, as advised by HM Treasury, includes a discount factor of 2.8% that is applied to future years' cash flows with effect from 31 March 2012.

The Dilapidation Provision assesses and values expected dilapidation costs on buildings. An amount is provided for in the accounts based on an estimated charge per square foot of leased space and allows for the reversal of any changes to the building made by SOCA and the costs of redecoration.

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

Part Three: Statement of Accounts 2011/12

A new Onerous Lease Provision has been created in 2011/12 in accordance with IAS37. The provision is for offices vacated at 31 March 2012 for which there is a lease obligation beyond 31 March 2012. The provision takes into account known future lease breaks and lease end dates.

1 t) Going Concern

The activities of SOCA are primarily financed by the Home Office.

The Statement of Financial Position at 31 March 2012 shows net liabilities of £316.3m (2010/11: restated £300m). This reflects the inclusion of pension liabilities falling due in future years which, to the extent that they are not met from SOCA's other sources of income, may only be met by future grants or Grants-in-Aid from the Home Office, SOCA's sponsoring department. The liability accrues under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued until the liability falls due.

Grants and Grant-in-Aid for 2012/13, taking into account the amounts required to meet SOCA's liabilities falling due in that year, have already been included in the Home Office's estimates for that year. These have been approved by Parliament and there is no reason to believe that the Home Office's future sponsorship and future parliamentary approval will not be forthcoming. It has, therefore, been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

The government has set out plans for the creation of a National Crime Agency (NCA) by 2013. This would incorporate the functions currently exercised by SOCA, as well as a number of other national policing functions including a Border Police Command which was outlined in the Coalition Agreement. The Home Secretary will outline her plans for the new agency during the course of this year and legislation proposing the dissolution of SOCA and the transfer of its functions to the NCA has been brought to Parliament for consideration. It is proposed that the basis of the transfer from SOCA to the NCA will be undertaken within the principles set out in the Machinery of Government framework.

1 u) Corporation Tax

SOCA is liable to pay taxes on interest received, paid and payable to the Home Office. For the current year tax of £0.024m is due to be paid. On advice from HMRC, the Home Office Non-Departmental Public Bodies (NDPB), of which SOCA is one, and the Forensic Science Service have been operating as a Corporation Tax Group and sharing losses, over the past two years.

HMRC has now advised that this was not correct. NDPBs are subject to the same statutory conditions as any other entity within the remit of Corporation Tax. This means that the only bodies which can be in a group for Group Relief purposes are those which have share capital (and meet the shareholding conditions). Since NDPBs do not have share capital they cannot be in a group for Group Relief purposes. Consequently they cannot surrender losses to each other. However, Home Office NDPBs are associated for Corporation Tax purposes as they are under common control.

HMRC has agreed that in the circumstances it will not go back to prior years to apply the correct treatment. However, for periods starting on or after 1 April 2011 Group Relief will not be available.

Therefore SOCA, as an NDPB, has accrued in 2011/12 according to the known liability.

Part Three: Statement of Accounts 2011/12

Other non-standard taxes liable by SOCA to be paid include: Home to duty use of fleet vehicles, taxation of armoured vehicles and the provision of accommodation for staff.

1 v) General income

SOCA's other income streams extend beyond Home Office Grant-in-Aid funding allocations. Income is recognised in the accounts when SOCA has provided services, delivered goods or has achieved agreed contractual milestones. Other income streams include revenue from the European Union, Scottish Executive, Northern Ireland Office, training courses provided by CEOP and costs recovered from other government bodies in accordance with agreed terms.

1 w) General expenditure

SOCA accounts for expenditure on an accrual basis.

2 Staff numbers and related Staff costs comprise:

	<i>Permanently Employed Staff</i>	<i>Others</i>	<i>Total 2011/12</i>	<i>Total 2010/11</i>
	<i>2011/12</i>	<i>2011/12</i>	<i>2011/12</i>	<i>2010/11</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Wages and Salaries	160,134	9,609	169,743	178,664
Social Security Costs	13,695	-	13,695	13,867
Other Pension Costs	28,389	-	28,389	37,825
Indirect Employee Costs*	9,834	-	9,834	11,057
Sub Total	212,052	9,609***	221,661	241,413
Less recoveries in respect of outward secondments	(898)	-	(898)	(1,178)
Sub Total	211,154	9,609	220,763	240,235
Exit package costs**	2,767	-	2,767	5,966
Sub Total	213,921	9,609	223,530	246,201
Pension costs actuarial valuation	20,168	-	20,168	(49,790)
Total Net Costs	234,089	9,609	243,698	196,411

* Indirect Employee costs include £0.1m (2010/11: £nil) for a tax liability, Training costs of £3.1m and £6.6m costs related to staff based overseas.

** Exit package costs consist of £2.767m paid in accordance with the scheme adopted by SOCA in 2011-12. The scheme was approved by HM Treasury (2010-11: consists of £5.966m in relation to the provision created to finance the scheme adopted in year by SOCA).

*** Other staff employed is analysed: agency staff 39, contract staff 12 and seconded staff 39 (2010-11: agency staff 66, contract staff 49 and seconded staff 45). The £9.6m cost in 2011-12 comprise £1.3m agency staff, £3m contract staff, overseas staff £2.7m and £2.6m Seconded staff (2010-11: £14.7m comprising, £1.7m agency staff, £6.5m contract staff, overseas staff £2.8m and £3.6m seconded staff).

Part Three: Statement of Accounts 2011/12

Average number of persons employed

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

<i>Number</i>	<i>2011/12 Total</i>	<i>2010/11 Total</i>
Directly Employed	3,650	3,830
Other	90	160*
Staff engaged on capital projects	-	-
Total	3,740	3,990

* Other staff employed is analysed: agency staff 39, contract staff 12 and seconded staff 39 (2010-11: agency staff 66, contract staff 49 and seconded staff 45). The £9.6m cost in 2011-12 comprise £1.3m agency staff, £3m contract staff, overseas staff £2.7m and £2.6m Seconded staff (2010-11: £14.7m comprising, £1.7m agency staff, £6.5m contract staff, overseas staff £2.8m and £3.6m seconded staff).

In addition to the above directly employed staff, SOCA had an average of 51 attached (2010/11: 46) from other organisations who are excluded from the above figures as they do not form part of the SOCA establishment. SOCA is not charged for the attached staff who are considered to be working for the benefit of their employers.

It is estimated that the cost to SOCA of employing the attached staff to SOCA in 2011/12 would have been £2.7m (2010/11: £2.4m).

Costs totalling £0.9m (2010/11: £2.2m) were capitalised during the year for work carried out on capital projects.

Pension benefits

(a) Principal Civil Service Pension Scheme (PCSPS)

The PCSPS is an unfunded multi-employer defined benefit scheme where SOCA is unable to identify its share of the underlying assets and liabilities. The scheme actuary re-values the scheme centrally and reassesses contributions every four years.

A full actuarial valuation was carried out as at 31 March 2007. The scheme bands were adjusted in 2007/08 and the contribution rates adjusted in 2008/09. The contributions are set to meet some of the pension cost of the members on retirement. The state of the current scheme is under review. From 30 July 2007 the existing scheme was closed to new entrants and scheme amendments allowed staff in classic or classic plus who leave after 1 October 2007 to give up some of their pension in exchange for a higher tax-free lump sum. Employees joining after 30 July 2007 are able to join the nuvos scheme, a defined benefit scheme with, in common with the existing premium and classic plus schemes, a member contribution rate of 3.5% of pensionable pay. Employee contributions are set at the rate of 1.5% of pensionable earnings for the classic scheme. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2011/12 employer contributions of £22.7m (2010/11: £24.0m) were payable to PCSPS at one of four rates in the range between 16.7% and 24.3% of pensionable pay (2010/11: 16.7% and 24.3%), based on salary bands. This includes £0.4m

Part Three: Statement of Accounts 2011/12

of contributions paid to other agencies e.g. Home Office, in respect of staff seconded to SOCA (2010/11: £0.4m). The contribution rates reflect benefits as they accrue, not when the costs are actually incurred, and reflect past experience of the scheme.

In addition, employer contributions of 0.8% (2010/11: 0.8%) of pensionable pay are payable to PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of employees. For 2011/12 contributions of £0.008m were payable to PCSPS in respect of these benefits (2010/11: £0.007m).

(b) Partnership and Stakeholder Schemes

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions for partnership pensions are payable to one or more of a panel of four appointed stakeholder pension providers. These contributions are age related and range from 3% to 15.5% of pensionable pay (2010/11: 3% to 15.5%). Employers also match employee contributions up to 15.5% of pensionable pay. During 2011/12 SOCA paid employers' contributions of £0.14m to stakeholder pension providers (2010/11: £0.12m).

(c) Local Government Pension Scheme (LGPS)

The LGPS is a multi-employer defined benefit scheme and eligible ex-SOCA employees participate in a fund managed by the London Pensions Fund Authority (LPFA). In order to comply with the Government Finance Reporting Manual, SOCA is required to provide in these accounts for the full value of the expected future pension liabilities to the officers. The LPFA have provided a valuation of the scheme assets as at 31 March 2012 showing net pension liability of £0.132m (2010/11 scheme asset of £0.01m); this figure is reflected on the Statement of Financial Position.

The net scheme assets at 31 March:

	2011/12 £'000	2010/11 £'000	2009/10 £'000
Present value of Assets	924	888	555
Present value of Liabilities	(1,056)	(837)	(742)
Net pension asset/(liability)	(132)	51	(187)
Movement in Pension Asset/Reserve	(195)	188	(264)
Surplus/(Loss) in Statement of Financial Position	(327)	239	(451)

The main assumptions used by the actuaries Barnett Waddingham, employed by LPFA, were as follows:

The net scheme assets at 31 March:

	2011/12 %	2010/11 %	2009/10 %
Inflation assumption	3.3	3.5	3.9
Rate of salaries increase	4.2	4.5	5.4
Rate of pensions increase	2.5	2.7	3.9
Discount rate	4.6	5.5	5.5

Part Three: Statement of Accounts 2011/12

During 2011/12 employer's contributions of £0.041m (2010/11: £0.038m) were paid to the LPFA at 14.9% of pensionable pay (2010/11: 14.9%). The contribution rate is determined by the Fund actuary based on a three yearly actuarial valuation. Under pension fund regulations the contribution rates must be set to meet the overall liabilities of the Fund. The latest formal valuation of the LPFA pension fund was at 31 March 2012. The fair value of assets held by the scheme at the beginning of the year and at the end of the year is disclosed below, analysed by investment class, together with expected rate of return for each class for the subsequent period.

Fair value of assets

	Assets at 31 March 2012 £'000	Expected rate of return at 31 March 2012 %	Assets at 31 March 2011 £'000	Expected rate of return at 31 March 2011 %	Assets at 31 March 2010 £'000	Expected rate of return at 31 March 2010 %
Equities	675	6.3%	612	7.4%	388	7.5%
Target Rate Portfolio / Bonds	111	4.5%	107	4.5%	55	4.5%
Alternative Assets/Property	129	5.3%	124	6.4%	78	6.5%
Cash	9	3.0%	27	3.0%	28	3.0%
Corporate Bonds	0	0%	18	5.5%	6	5.5%
Total	924	5.9%	888	6.7%	555	6.8%

(d) Police Pension Scheme

The Agency operates a defined benefit Police Pension Scheme for former police officers.

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

Pensions benefits are paid from SOCA resources as they fall due. In 2011/12, £18.23m was paid to pensioners (2010/11: £17.8m).

Pensions paid in the year are charged against the Pension Provision. SOCA paid employer contributions at the rate of 24.2% of pensionable pay in the year totalling £5.32m (2010/11: £6.47m).

In order to comply with the Government Financial Reporting Manual and Accounts Guidance, SOCA is required to provide in these accounts for the full value of the expected future pensions liabilities of the officers. Since 2010/11 the Government Actuary's Department (GAD) has valued contingent injury awards, the previous approach valued injury awards as they came into payment. This change in practice is due to the adoption of IAS19. SOCA commissioned GAD to value the scheme liabilities as at 31 March 2012. Full provision for this liability in 2011/12 of £506.52m (2010/11: £493.71m) is reflected in the Statement of Financial Position and is based on the assumptions and information set out below.

Part Three: Statement of Accounts 2011/12

Pension liabilities

	<i>2011/12</i> <i>£'000</i>	<i>2010/11</i> <i>£'000</i> <i>Restated</i>	<i>2009/10</i> <i>£'000</i> <i>Restated</i>
Present value of liabilities – police officers	506,520	493,711	609,469
Net pension liabilities	506,520	493,711	609,469

Main assumptions

	<i>% pa</i>	<i>% pa</i>	<i>% pa</i>
Inflation assumption	2.00	2.65	2.75
Rate of increase in salaries	4.25	4.90	4.30
Rate of increase in pensions	2.00	2.65	2.75
Rate of discounting scheme liabilities	4.85	5.60	4.60

Actuarial gains and losses for year

<i>Direct Recruits Scheme</i>	<i>2011/12</i> <i>£'000</i>	<i>2010/11</i> <i>£'000</i>	<i>2009/10</i> <i>£'000</i>
Experience gains	11,040	22,160	12,160
Effect of changes in demographic and financial assumptions	(3,660)	43,850	(159,540)
Total actuarial gains/(losses)	7,380	66,010	(147,380)

(e) Changes in Pension Assets and Liabilities for the Year by Scheme

In compliance with advice from the Home Office, the change in the pension liabilities resulting from operating and finance costs have been charged to the Statement of Comprehensive Net Expenditure. This charge is reduced by the contributions receivable in the year from the active members. The actuarial gain/loss calculated by GAD has been reflected in the Statement of Financial Position (Pension Reserve).

Part Three: Statement of Accounts 2011/12

Changes in Pension Assets and Liabilities for the Year by Scheme

	2011/12 LGPS	2011/12 Police Officers	2011/12 Total	2010/11 PO/LGPS	2009/10 Restated PO/LGPS Total
	£'000	£'000	£'000	£'000	£'000
Operating cost:					
Current service cost	45	10,940	10,985	(57,239)	13,115
Pensions and benefits paid	-	(18,230)	(18,230)	(17,930)	(16,900)
Finance cost:					
Interest on pension liabilities	47	27,450	27,497	25,472	26,458
Expected return of employer assets	(61)	-	(61)	(53)	(30)
Net Return	31	20,160	20,191	(49,750)	22,643
Actuarial gain/(loss)					
Experience gain/(loss) on pension liabilities	10	11,040	11,050	22,203	12,117
Actuarial return less expected return on scheme assets	(52)	-	(52)	3	108
Changes in demographic & financial assumptions	(153)	(3,660)	(3,813)	43,992	(159,889)
Total Actuarial Gain/(Loss) charged to Pension Reserve	(195)	7,380	7,185	66,198	(147,664)
Movement in the provision during the year					
	2011/12 LGPS	2011/12 Police Officers	2011/12 Total	2010/11 PO/LGPS	2009/10 Restated PO/LGPS
	£'000	£'000	£'000	£'000	£'000
Net liabilities at start of year	(51)	493,711	493,660	609,656	439,448
Current & past service cost	45	10,940	10,985	(57,239)	13,115
Pensions paid in the year	(2)	(18,230)	(18,232)	(17,932)	(16,900)
Employer's contribution	(41)	-	(41)	(38)	(38)
Pension transfers-in	-	29	29	-	-
Net finance charge	(14)	27,450	27,436	25,411	26,367
Actuarial (gain)/loss	195	(7,380)	(7,185)	(66,198)	147,664
Net (assets) liabilities at end of year	132	506,520	506,652	493,660	609,656

Part Three: Statement of Accounts 2011/12

3 Reporting of Civil Service and other compensation schemes – exit packages

<i>Exit Package Cost Band</i>	<i>2011/12 Total number of Exit Packages by cost band</i>	<i>2010/11 Total number of Exit Packages by cost band</i>
<£10,000		1
£10,000 - £25,000	7	2
£25,000 - £50,000	25	2
£50,000 - £100,000	14	9
£100,000 - £150,000	4	15
£150,000 - £200,000	-	6
£200,000 - £250,000	1	7
£250,000 - £300,000	-	2
£300,000 - £350,000	-	1
Total Number Of Exit Packages	51	45
Total resource Cost (£000)	2,767	5,936

There were no compulsory redundancies in 2011/12 or 2010/11.

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

The exit schemes adopted were approved by HM Treasury. The Scheme adopted in 2010/11 required a provision to be established to fund pension payments for 45 staff until they reached 60 years of age. The Annual Estimated Return pension has been calculated and adjusted for a discount rate of 2.9% per annum in 2010/11 and 2011/12 after which the discount rate changes to 2.8%.

The Scheme applied in 2011/12 was accepted by 51 staff and did not require a provision to meet future years costs. All costs associated with this scheme have been incurred in 2011/12.

Staff who accepted these two opportunities were of a management grade.

Part Three: Statement of Accounts 2011/12

4 Operating Expenditure

	2011/12	2011/12	2010/11	2010/11
	£'000	£'000	Restated £'000	Restated £'000
Premises costs (excluding onerous lease provision)	46,079		42,169	
Onerous lease provision	4,466		-	
IT expenses*	59,700		59,026	
Accommodation, subsistence and general expenses	13,293		14,872	
Transport costs	8,883		8,007	
Office and general expenses	1,704		2,024	
Conference set up and running costs	455		600	
Office equipment and repairs	444		592	
		135,024		127,290
Operational and communication costs	19,369		18,554	
Europol subscription (rebate)**	(309)		-	
Interpol subscription	2,821		2,862	
Other operating subscriptions	1,805		1,330	
Foreign exchange (gain)/loss	6		35	
		23,692		22,781
Fees:				
Forensic fees	2,052		3,035	
Interim Receivers' fees	280		822	
Internal audit fee***	-		17	
External audit fee	132		147	
		2,464		4,021
Other Expenditure:				
Grants to forces and other public sector bodies		2,063		1,793
Notional expenditure covered by donations		1,295		1,702
Contract charges****		4,933		3,514
Professional services and fees		3,974		6,378
		173,445		167,479

The above note includes further analysis of Premier costs. The analysis is provided to explain the impact of the Onerous leases provision, for properties vacated by 31 March 2012, on 2011/12 expenditure.

*IT costs in 2010/11 were reduced by a credit note of £2.4m this being a one-off saving achieved through central government bargaining arrangements and allocated to SOCA.

**Until 31 December 2009 Europol was funded by individual member states within the European Union. SOCA was allocated this responsibility on behalf of the UK. On 1 January 2010 the European Commission commenced funding Europol directly on behalf of all member states. The return of funds relates to the UK proportion of the Europol under spend in the year to 31 December 2009.

***Internal audit functions have now been brought in house.

****Contract charges have been reclassified in 2010/11 to improve accuracy and understanding. The sum of £23.071m for IT contract monthly support charges occurring in 2010/11 have been reclassified to IT expenses in accordance with the new contract costs being charged to this spend heading in 2011/12.

4 a) Analysis of Net Expenditure by Segment

SOCA is funded primarily through grants by the Home Office and, for the purposes of IFRS 8, SOCA is regarded as a single operating segment.

Part Three: Statement of Accounts 2011/12

5 Income and Funding

	Note	2011/12 £'000	2010/11 Restated £'000
<i>Funding received separate from Grant-in-Aid:</i>			
Scottish Executive contributions*		6,336	4,927
Northern Ireland Office contributions		1,495	1,511
Recovered Asset Incentivisation Fund**		-	-
EU Funding		557	408
Civil recoveries applied to receivers' fees		280	822
Specific operational funding***		15,553	19,919
Others		80	100
	5	24,301	27,687
<i>Donation of goods and services (excl. cash):</i>			
Donations over £250k		617	1,071
Donations under £250k		678	631
	5	1,295	1,702
<i>Other operating income</i>			
Cash Donations		205	185
Others		637	2,272
	5	842	2,457

*The Scottish Executive funding in 2010/11 and 2011/12 has been agreed at £5.661m and £5.602m respectively. The variance between these values and those presented in the table above reflect SOCA's prudent view in 2010/11 of reduced funding while negotiations continued. Negotiations concluded during 2011/12 and the expected reduction in funding did not occur.

**See accounting policy 1 r).

***In accordance with changes in the FReM in respect of IAS 20 a change in accounting policy has been adopted that requires restatement of the Government Grant Reserve and Donated Asset Reserve. Where expenditure had been financed by grants in order to create both reserves the funding element is now recognised as income and taken through the Statement of Comprehensive Net Expenditure i.e. the reduction to £nil of both reserves in the Statement of Financial Position.

5 a) Funding

Funding includes grants and contributions received from Home Office and other government bodies. SOCA received Grant-in-Aid cash funding from the Home Office totalling £416.6m (2010/11: £431.88m), considered as financing and therefore included as part of the Changes in Taxpayers' Equity.

In addition to the Grant-in-Aid budget received by SOCA in 2011/12 the Agency also received £15.6m to undertake a number of discreet projects, for example Cyber Crime. The funding is received from the Home Office (£8m), the Foreign and Commonwealth Office (£3.6m), the National Policing Improvement Agency (£3.9m) and other Government Departments (£0.1m). Additionally £0.6m was received from the EU to fund cross-border initiatives. All of these projects cover more than one financial year.

5 b) Donations of goods and services

The CEOP team receives donated assets and donations in kind, including staff time and use of assets, from various external sponsors and agencies. These donations are accounted for by following the guidance in the Charities Statement of Recommended Practice (SORP) which requires the recognition of income where donations in kind are received, matching expenditure in the Statement of Comprehensive Net Expenditure (see note 1p).

Part Three: Statement of Accounts 2011/12

In the period to 31 March 2012 various goods and services with an estimated value of £1.295m (2010/11: £1.7m) have been received from organisations and charities which have been used by CEOP to support its objectives. There was one contribution of £0.317m received and 20 additional contributions totalling £0.978m received in the year. In addition to the above donations in kind, cash donations of £0.205m (2010/11: £0.185m) were received.

5 c) Costs recovered

Other income includes costs recovered from other law enforcement agencies in 2011/12 of £0.209m (2010/11: £0.939m).

6 a) Tangible Non-Current Assets – Property, Plant and Equipment at 31 March 2012

	Buildings	Land	Improve- ments to leasehold buildings	Motor vehicles	IT Assets	Plant & Machinery	Furniture & Fitting	Payments on account & assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Cost of valuation</i>									
At 1 April 2011	27,473	3,828	82,689	38,211	54,331	43,662	5,981	14,525	270,700
Additions	123	-	7,173	2,191	6,602	2,836	704	11,051	30,680
Disposals	(300)	-	(111)	(1,803)	(2)	(172)	(143)	-	(2,531)
Impairments and write-offs	-	-	54	(17)	315	(188)	6	-	170
Transfers	-	-	6,705	-	6,095	29	682	(13,511)	-
Revaluations	1,647	172	3,073	128	39	167	8	-	5,234
At 31 March 2012	28,943	4,000	99,583	38,710	67,380	46,334	7,238	12,065	304,253
<i>Depreciation</i>									
At 1 April 2011	7,261	-	26,035	27,064	34,322	28,222	3,448	-	126,352
Charge in year	1,828	-	9,351	4,072	10,896	10,997	1,118	-	38,262
Disposals	(274)	-	(94)	(1,528)	(2)	(10)	-	-	(1,908)
Impairments and write-offs	-	-	-	(17)	(118)	51	(2)	-	(86)
Transfers	-	-	-	-	-	-	-	-	-
Revaluation	420	-	1,166	73	(1)	128	3	-	1,789
At 31 March 2012	9,235	-	36,458	29,664	45,097	39,388	4,567	-	164,409
Net book value									
At 31 March 2012	19,708	4,000	63,125	9,046	22,283	6,946	2,671	12,065	139,844
At 1 April 2011	20,212	3,828	56,654	11,147	20,009	15,440	2,533	14,525	144,348
<i>Asset financing:</i>									
Owned	19,708	4,000	63,125	9,046	22,283	6,946	2,671	12,065	139,844
Net book value at 31 March 2012	19,708	4,000	63,125	9,046	22,283	6,946	2,671	12,065	139,844

The major capital projects in 2011/12 were the on-going IT Modernisation Programme (£12m), the completion of the new North West Hub building and an on-going business change project (£9m) and vehicle replacement programme (£3m). These capital projects enable SOCA to improve operational effectiveness.

Part Three: Statement of Accounts 2011/12

Freehold properties were valued professionally by Knight Frank Chartered Surveyors in March 2009

SOCA carried out a partial review of all of its assets and any losses relating to impairment in value have been charged to the Statement of Comprehensive Net Expenditure. Non-current Assets have been re-valued using the Price Index Numbers for Current Cost Accounting (MM17), published by the Office for National Statistics and the BSI Tender Price Index Public Sector Building Works as appropriate. Any losses on revaluation not offset by prior year gains have been charged to the Statement of Comprehensive Net Expenditure.

SOCA carried out partial verification of all of its non-current assets including assets transferred from precursor agencies held at nil book value. The verification exercise identified some leasehold improvements that no longer existed due to further refurbishments and some IT and plant and equipment that could not be easily identified from the descriptions in the asset register. As SOCA cannot recover VAT paid on properties acquired or re-valued, used as offices, the amount of VAT charged has been written off.

6 b) Tangible Non-Current Assets – Property, Plant and Equipment at 31 March 2011

	<i>Buildings</i>	<i>Land</i>	<i>Improve- ments to leasehold buildings</i>	<i>Motor vehicles</i>	<i>IT Assets</i>	<i>Plant & Machinery</i>	<i>Furniture & Fitting</i>	<i>Payments on account & assets under construction</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Cost of valuation</i>									
At 1 April 2010	23,246	3,828	51,321	39,207	47,704	36,378	4,306	30,904	236,894
Additions	110	-	13,507	1,514	6,368	3,250	363	14,525	39,637
Disposals	(148)	-	(149)	(4,086)	(400)	-	-	-	(4,783)
Impairments and write-offs	-	-	-	-	-	-	-	-	-
Transfers	5,949	-	16,172	1,633	4,584	1,338	1,234	(30,910)	-
Revaluations	(1,684)	-	1,838	(57)	(3,925)	2,696	78	6	(1,048)
At 31 March 2011	27,473	3,828	82,689	38,211	54,331	43,662	5,981	14,525	270,700
<i>Depreciation</i>									
At 1 April 2010	3,712	-	21,075	26,184	24,922	19,192	1,993	-	97,078
Charge in year	2,908	-	5,080	4,505	11,674	7,128	1,287	-	32,582
Disposals	(54)	-	(56)	(3,587)	-	-	-	-	(3,697)
Impairments and write-offs	-	-	-	-	-	-	-	-	-
Transfers	893	-	(1,017)	-	-	-	124	-	-
Revaluations	(198)	-	953	(38)	(2,274)	1,902	44	-	389
At 31 March 2011	7,261	-	26,035	27,064	34,322	28,222	3,448	-	126,352
Net book value									
At 31 March 2011	20,212	3,828	56,654	11,147	20,009	15,440	2,533	14,525	144,348
At 1 April 2010 (restated)	19,534	3,828	30,246	13,023	22,782	17,186	2,313	30,904	139,816
<i>Asset financing:</i>									
Owned	20,212	3,828	56,654	11,147	20,009	15,440	2,533	14,525	144,348
Net book value at 31 March 2011	20,212	3,828	56,654	11,147	20,009	15,440	2,533	14,525	144,348

Part Three: Statement of Accounts 2011/12

7 Intangible Non-Current Assets

Intangible assets comprise software licences and consultancy charges.

	<i>Purchased software £'000</i>	<i>Payments on account & assets under construction £'000</i>	<i>Total £'000</i>
<i>Cost or valuation</i>			
At 1 April 2011	44,582	9,278	53,860
Additions	534	2,807	3,341
Disposals	-	-	-
Impairments and write-offs	(160)	-	(160)
Transfers	1,615	(1,615)	-
At 31 March 2012	46,571	10,470	57,041
<i>Amortisation</i>			
At 1 April 2011	15,941	-	15,941
Charge in year	10,186	-	10,186
Disposals	-	-	-
Impairments and write-offs	215	-	215
Transfers	-	-	-
At 31 March 2012	26,342	-	26,342
<i>Net Book Value</i>			
At 31 March 2012	20,229	10,470	30,699
At 31 March 2011	28,641	9,278	37,919
<i>Cost or valuation</i>			
At 1 April 2010	24,440	23,992	48,432
Additions	2,114	3,401	5,515
Disposals	-	-	-
Impairments and write-offs	(87)	-	(87)
Transfers	18,115	(18,115)	-
At 31 March 2011	44,582	9,278	53,860
<i>Amortisation</i>			
At 1 April 2010	8,650	-	8,650
Charge in year	7,291	-	7,291
Disposals	-	-	-
Impairments and write-offs	-	-	-
Transfers	-	-	-
At 31 March 2011	15,941	-	15,941
<i>Net Book Value</i>			
At 31 March 2011	28,641	9,278	37,919
At 31 March 2010	15,790	23,992	39,782

Part Three: Statement of Accounts 2011/12

8 Financial Instruments

As the cash requirements of SOCA are met through Grant-in-Aid provided by the Home Office, financial instruments (IFRS 7) play a more limited role in creating risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with SOCA's expected purchase and usage requirements and SOCA is therefore exposed to little credit, liquidity or market risk. Expenditure incurred in a foreign currency is translated at an approved HM Treasury spot rate. SOCA does operate foreign currency bank accounts that are translated to sterling at 31 March 2012 according to an approved HM Treasury spot rate. SOCA proactively reviews cash and bank balances to ensure minimum balances are held in foreign currencies until required. SOCA does not use forwards or any other such instruments.

9 Trade receivables and other current assets

	2011/12 £'000	2010/11 £'000	2009/10 £'000
<i>(a) Amounts falling due within one year</i>			
Trade receivables*	15,243	11,650	6,426
Accrued income	10,988	11,071	8,576
Other receivables	2,977	5,617	7,790
Prepayments	8,879	9,141	8,868
	38,087	37,479	31,660
<i>(b) Intra-government balances</i>			
Balances with central government bodies	28,127	23,800	21,464
Balances with local authorities and police authorities	276	1,143	600
Subtotal: intra-government balances	28,403	24,943	22,064
Balances with bodies external to government	9,684	12,536	9,596
	38,087	37,479	31,660
<i>(c) Amounts falling due after one year</i>			
Other receivables	45	97	124
	45	97	124
<i>(d) Intra-government balances</i>			
Balances with bodies external to government	45	97	124
	45	97	124

* The Bad Debt Provision assesses Trade Receivables for the potential risk of the debt not being recovered and a provision is made where deemed necessary.

Part Three: Statement of Accounts 2011/12

10 Cash and cash equivalents

	2011/12	2010/11	2009/10
	£'000	£'000	£'000
Balance at 1 April	32,285	27,599	10,542
Net change in cash and cash equivalents balances	16,729	4,686	17,057
Balance at 31 March	49,014	32,285	27,599

The following balances at 31 March were held at:

Commercial banks and cash in hand	48,411	31,682	26,969
Balance held with Government Banking Service	603	603	630
Balance at 31 March	49,014	32,285	27,599

SOCA operates a number of bank accounts and cash imprest accounts. The UK accounts operate under a pooling arrangement which allows some accounts to be overdrawn, as long as the main SOCA account is in credit to cover the overdrawn balances. At the 31 March 2012 the cash and balances totalled £49m (2010/11: £32.3m).

Interest of £0.104m was received during the year on bank balances (2010/11: £0.027m). Any interest received must be paid to the Home Office. SOCA does not recognise interest earned as part of its income as it is due to the Home Office.

Part Three: Statement of Accounts 2011/12

11 Trade payables and other current liabilities

	2011/12 £'000	2010/11 £'000 <i>Restated</i>	2009/10 £'000 <i>Restated</i>
<i>(a) Amounts falling due within one year</i>			
Other Tax and Social Security	443	-	-
Trade Payables	4,497	4,825	18,751
Other Payables*	9,468	3,629	3,628
Accruals	35,944	37,310	30,089
Deferred Income	1,260	405	648
	51,612	46,169	53,116
<i>(b) Intra-government balances</i>			
Balances with central government bodies	6,616	6,119	13,657
Balances with local authorities and police authorities	587	103	934
Subtotal: intra-government balances	7,203	6,222	14,591
Balances with bodies external to government	43,149	39,542	37,877
Balances excluding deferred income	50,352	45,764	52,468
Deferred Income balances with bodies external to government	1,260	405	648
	51,612	46,169	53,116
<i>(c) Amounts falling due more than one year</i>			
Other payables	3,871	3,174	3,628
	3,871	3,174	3,628
<i>(d) Intra-government balances</i>			
Balances with bodies external to government	3,871	3,174	3,628
	3,871	3,174	3,628

* The rent discount accrual is £4.24m (2010/11: £3.63m). SOCA has been approved rent discounts as incentives for taking out leases on 9 properties (2010/11: 8 properties). The discount will be apportioned equally over the term of the lease. Other payables also includes the amount owed to the Home Office for the Airwave Reserve £4.581m.

Part Three: Statement of Accounts 2011/12

12 Provisions for Liabilities and Charges

	<i>Legal Provision</i>	<i>Retirement Provision</i>	<i>Dilapidation Provision</i>	<i>Bad Debt Provision</i>	<i>Onerous Lease Provision</i>	<i>Total Provision</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Balance at 1 April 2011	(1,962)	(6,663)	(247)	(202)	-	(9,074)
Provided in year	(326)	-	(40)	-	(4,466)	(4,832)
Provisions not required written back	-	-	13	40	-	53
Provisions utilised in the year	248	1,237	235	-	-	1,720
Cost of borrowing (Unwinding of discount)	-	286	-	-	-	286
Balance at 31 March 2012	(2,040)	(5,140)	(39)	(162)	(4,466)	(11,847)

	<i>Tax Provision</i>	<i>Legal Provision</i>	<i>General Provision</i>	<i>Retirement Provision</i>	<i>Employment Related Provision</i>	<i>Dilapidation Provision</i>	<i>Bad Debt Provision</i>	<i>Total Provision</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Balance at 1 April 2010	(1,260)	(1,177)	(36)	(909)	(164)	(418)	(108)	(4,072)
Provided in year	-	(1,064)	-	(5,966)	-	(348)	(94)	(7,472)
Provisions not required written back	1,260	-	36	-	99	209	-	1,604
Provisions utilised in the year	-	279	-	212	65	310	-	866
Cost of borrowing (Unwinding of discount)	-	-	-	-	-	-	-	-
Balance at 31 March 2011	-	(1,962)	-	(6,663)	-	(247)	(202)	(9,074)

The Legal Provision of £2.04m relates to cases in progress to cover estimates on litigation costs for employees undertaking action because of injury, loss of employment, changes in conditions of service and operational activity. The provision allows for both costs and compensation payments and is expected to crystallise within one year.

The Retirement Provision of £5.14m has been created to provide for expected future pension obligations in accordance with the HM Treasury approved exit scheme SOCA adopted in October 2010. The valuation, as advised by HM Treasury, includes a discount factor of 2.8% that is applied to future years cash flows with effect from 31 March 2012. The provision is expected to crystallise as follows:

- ▶ Within one year £0.94m
- ▶ 2-5 years £2.37m
- ▶ Over 5 years £1.83m

The Dilapidation Provision assesses and values expected dilapidation costs on buildings. An amount is provided for in the accounts based on an estimated charge per sq. ft of leased space and allows for the reversal of any changes to the building made by SOCA and the costs of redecoration. A dilapidation provision for two offices has been included to cover the cost of repair works necessary in accordance with the lease. It is anticipated the dilapidations provision will crystallise within one year.

Part Three: Statement of Accounts 2011/12

The Bad Debt Provision assesses outstanding debts for the potential risk of the debt not being recovered and a provision is made where deemed necessary. It is expected the Bad Debt Provision will crystallise within one year.

A new Onerous Lease Provision has been created in 2011/12 in accordance with IAS37. The provision is for four offices vacated at 31 March 2012 for which there is a lease obligation beyond 31 March 2012. The provision takes into account known future lease breaks and lease end dates. The provision is expected to crystallise within one year as SOCA investigates early release opportunities.

13 Capital Commitments

	2011/12 £'000	2010/11 £'000
Contracted capital commitments for 31 March 2012 for which no provision has been made	15,016	32,682
Total	15,016	32,682

Commitments include contractual obligations to specialist contractors, the provision of information technology and communications services and acquisitions to facilitate delivery of planned work programmes in conjunction with other government departments.

14 Commitments under leases

Annual commitment for operating leases

SOCA is committed to pay the following operating lease rentals in future financial years:

	2011/12 £'000	2010/11 £'000
<i>Obligations under operating leases comprise:</i>		
<i>Buildings:</i>		
Not later than one year	19,367	20,858
Later than one year and not later than five years	70,446	91,631
Later than five years	129,226	146,770
	219,039	259,259

15 Other Financial Commitments

Other commitments include contracts for the provision of information technology and communications services. Payments made under the contracts in 2011/12 were £31.2m (2010/11: £41.6m). SOCA approved a new contract in January 2011 for the provision of information technology and communication services. 2010/11 has been restated to include two contracts that expire on 30 June 2013 for the provision of additional information technology services.

Part Three: Statement of Accounts 2011/12

	2011/12	2010/11
	£'000	£'000
<i>Other financial commitments</i>		
Not later than one year	26,021	27,898
Later than one year and not later than five years	65,077	63,112
Later than 5 years	51,870	63,287
	142,968	154,297

16 Notes on Reserves

16 a) Net Expenditure Reserve

The Net Expenditure Reserve shows the balance of accumulated surpluses or deficits in grants and other income over operating expenditure.

16 b) Pensions Reserve

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

16 c) Revaluation Reserve

SOCA's assets are revalued on an annual basis. Any revaluations other than impairments are credited to the Revaluation Reserve. Prior year depreciation adjustments, other than for impairments, are debited to the reserve.

16 d) Other Reserves

Forfeiture Fund Reserve

The Forfeiture Fund includes cash from the sale of assets seized from convicted criminals and forfeited to SOCA by the courts. The fund is applied for operational purposes only, as specified by the courts.

Airwave Reserve

The Airwave Reserve of £4.58m was created using funds provided to the National Crime Squad prior to the creation of SOCA. The fund was created in order to finance the replacement and maintenance of police radios to meet a change in wavelengths and to upgrade communications technology. This is part of the National Airwave Project. This reserve is no longer required. The balance has been transferred to Other Payables in advance of the funds being returned to the Home Office.

Part Three: Statement of Accounts 2011/12

16 e) Government Grant Reserve

SOCA has received funding from other government bodies to finance capital expenditure. The monies received had been, in prior years, credited to the Government Grant Reserve and as the assets capitalised were depreciated, a credit transfer to offset depreciation was charged to the Statement of Comprehensive Net Expenditure. Following a change in accounting policy funding received solely for use in specific projects must be recognised as income and taken through the Statement of Comprehensive Net Expenditure in full to a value of £19.381m.

16 f) Donated Asset Reserve

The Donated Asset Reserve recognised contributions from the Association of Chief Police Officers, UK Border Agency and numerous private sector organisations that enabled the advancements of technology-based activity. Following a change in accounting policy (see note 1h) any assets or monies received that are not liable to return are recognised as income and taken through the Statement of Comprehensive Net Expenditure in full to a value of £0.763m.

17. Contingent Liabilities

17 a) Lease Dilapidations

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

The costs to SOCA on vacation of leased premises have been estimated as £3.2m (2010/11: £3.8m). This estimate is based on a charge per square foot of leased space and allows for the reversal of any changes to the building made by SOCA and the costs of redecoration. This potential liability is currently estimated to fall due as follows:

	2011/12 £'000	2010/11 £'000
<i>Year ended 31 March:</i>		
Not later than one year	-	179
Later than one year and not later than five years	1,623	782
Later than 5 years	1,592	2,862
	3,215	3,823

17 b) Litigation Costs

SOCA has a small number of claims from employees, members of the public and suppliers that may result in compensation payments to be made on settlement. These claims are considered to be contingent liabilities because the probability of SOCA being successful in litigation is less than 50% and they are at an early stage of action, making the determination of costs impossible. Compensation payments made are reported in note 20.

Part Three: Statement of Accounts 2011/12

17 c) Indemnities

A new Departmental Minute was laid before Parliament in October 2011 which enables SOCA to indemnify bodies against losses when using their facilities for firearms training purposes, to a maximum value at any one time of £50m. SOCA has entered into 36 agreements with suppliers during the past year (2010/11: 38), with a maximum value at any one time of £15m (2010/11: £10m). Obligations outstanding at 31 March 2012 were £10m (2010/11: £5m).

Under the obligations to enter into indemnities for operational need, SOCA has the authority to enter into indemnities of up to £0.25m with effect from October 2011 (2010/11: £1m) in any particular case. SOCA entered into one indemnity of £1m during the year (2010/11: £1m) but this obligation ceased before 31 March 2012 due to changes in the operation.

One new PF78 (solicitor's undertaking as to expenses) was established in 2011/12 for £0.025m.

The following indemnities remain current from the previous years:

- ▶ 5 indemnities (2010/11: 5) with banks relating to the recovery of criminal assets with an estimated value of £0.609m (2010/11: £0.62m). The reduced value relates to Euro/Sterling exchange rate movements.
- ▶ 5 indemnities (2010/11: 5) with clearing banks with a maximum aggregated value of £0.756m (2010/11: £0.785m).
- ▶ 4 operational indemnities (2010/11: 3) with a combined estimated value of £1m (2010/11: £1m).
- ▶ 4 (2010/11: 6) PF78 solicitor's undertaking as to expenses with potential liability of less than £0.1m (2010/11: £0.15m).

No liabilities crystallised during the year. SOCA continually reviews indemnities according to the quantum of risk and likelihood.

18 Related Party Transactions

The Home Office is the sponsoring department of SOCA. The organisations listed below are considered to be related parties to SOCA:

	<i>2011/12</i> <i>Closing Balance</i> <i>£'000</i>	<i>2010/11</i> <i>Closing Balance</i> <i>£'000</i>	<i>2011/12</i> <i>Net spend (income)</i> <i>£'000</i>	<i>2010/11</i> <i>Net spend (income)</i> <i>£'000</i>
Home Office	5,277	12,062	(422,739)	(438,527)
Scottish Executive	11,262	4,764	(6,336)	(4,896)
Northern Ireland Administration	1,502	1,516	(1,495)	(1,511)
National Policing Improvement Agency	4,473	2,506	(2,955)	(6,228)
Foreign & Commonwealth Office	(516)	1,435	11,304	10,791
Police Forces	(319)	334	1,361	(2,962)
Local Government	8	138	3,082	6,767
HMRC	(448)	(453)	237	170
HMIC	(375)	(375)	0	375
Government Estates Management	(150)	(916)	715	924
Other (not analysed)	486	(2,290)		
	21,200	18,721		

Part Three: Statement of Accounts 2011/12

During the year ended 31 March 2012 these bodies provided SOCA with Grant-in-Aid and, in certain cases, other funding. In addition SOCA has a small number of transactions with other government departments and other central government bodies.

One Related Party Transaction took place in 2011/12 relating to Peter Clarke, Non-Executive Director, who is also a Board member for the Trustees at Crimestoppers.

Crimestoppers is a registered charity which has received monies from the SOCA Community Fund in 2011/12. The distribution of the Community Fund is decided by a SOCA Board of Trustees . Peter Clarke is not a member of this Board. SOCA paid Crimestoppers £50k as a donation to support its activities. Peter Clarke was not part of the decision making process.

In 2010/11 the following Related Party Transactions took place:

In April 2010 David Bolt, former Executive Director Intelligence, purchased a car from the organisation for £6,600.

In April 2010 Malcolm Cornberg, Executive Director Corporate Services, purchased a car from the organisation for £5,475.

In both cases price was determined through an independent process to ensure SOCA received the market price.

In 2010/11 William Hughes, former Director General, requested to retain some small office equipment and furniture valued at £nil cost as the cost of removing and disposing them outweighed expected disposal proceeds.

19 Third Party Assets

Seized property is that which is appropriated by SOCA and other law enforcement bodies but which may still be liable to be returned. Seized property held by SOCA at 31 March 2012 consisted of £10.2m (2010/11: £12.9m) in cash, motor vehicles and other valuables suspected of being derived from criminal activity.

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

20 Losses and Special Payments

SOCA incurred losses (accelerated depreciation on non-current assets) during the year totalling £3.7m (2010/11: £2.5m) in respect of assets written down. This includes a constructive loss of £nil (2010/11: £0.23m relating to IT equipment procured in 2008/09 which has not been brought into use due to a change of project specification meaning that the assets are no longer required for their originally intended purpose). In addition £0.04m was paid in 11 compensation payments during the year (2010/11: £0.226m for 9 payments).

Part Three: Statement of Accounts 2011/12

21 Recovered Assets

SOCA currently manages bank accounts where recovered assets are deposited. Each year-end, the excess of civil recoveries over receivers' fees applied net of any direct disposal costs is paid over to the Home Office. For assets recovered through Criminal and Tax cases the amounts are paid over quarterly. The figures presented below are net of direct costs.

	2011/12	2011/12	2010/11	2010/11
	£'000	£'000	£'000	£'000
<i>Recovered asset receipts:</i>				
Civil	3,901		6,220	
Criminal	3,236		2,639	
Tax	1,178		1,050	
		8,315		9,909
Asset recoveries applied against receivers' fees (see below)		(280)		(822)
Net recovered receipts		8,035		9,087
Receipts paid to the Home Office during the year:		(5,327)		(2,185)
Recovered asset proceeds held at 31 March		2,708		6,902

SOCA pays to the Home Office, quarterly in arrears, recovered asset receipts net of estimated receivership and enforcement costs. A final payment for £2.708m from the monies held in the separately identified third party bank accounts will be paid to the Home Office in June 2012, the £6.9m was paid in June 2011.

The civil and tax figures quoted above differ from SOCA's reported performance in the Annual Report as a result of the deduction of allowable costs and cases under appeal in the above figures.

The criminal receipts figure quoted above includes those related to SOCA's ongoing responsibility to enforce payment against legacy Assets Recovery Agency confiscation orders. This income is not counted as part of SOCA's performance and is by its nature a small amount. Existing confiscation orders obtained by SOCA and new confiscation orders obtained since the merger continue to be enforced by the courts. This figure has no relationship to the value of new confiscation orders obtained by SOCA during 2011/12; nor to the value of receipts banked by the courts in fulfilment of confiscation orders obtained by SOCA in 2011/12 and previous years.

Part Three: Statement of Accounts 2011/12

22 Recovered Assets Allowable Against Receivers' Fees

Section 280, Subsection 3 of the amended Proceeds of Crime Act 2002 (POCA) enables the Director General to meet the costs of an appointed Interim Receiver from sums received from Civil Recovery proceedings in a way which directly mirrors the provisions in criminal confiscation cases in Parts 2 and 4 of POCA. Receivers' fees totalling £0.28m were incurred on civil recovery during 2011/12 (2010/11: £0.822m). The commencement date of the provision was 1 July 2005 and, thereafter, the costs of Interim Receivers and Trustees were permitted to be offset against eventual case proceeds.

	<i>2011/12</i>	<i>2010/11</i>
	<i>£'000</i>	<i>£'000</i>
Total receivers' fees in year	280	822
Assets in enforcement applied as income	(280)	(822)
Net receivers' fees in year	0	0

23 Forfeiture and confiscation orders

Receipts paid to the Home Office during the year in fulfilment of cash forfeiture orders obtained in 2011/12 and previous years are set out below. It should be noted that the time-lag created by the 30-day appeal period which follows all cash forfeiture orders and the normal business delays in processing forfeited cash through to the Home Office means that the amount paid to the Home Office in any given financial year will not correspond precisely to the stated value of new cash forfeiture orders obtained over the same period.

	<i>2011/12</i>	<i>2010/11</i>
	<i>£'000</i>	<i>£'000</i>
Forfeiture and confiscation monies paid over	5,039	3,740

Part Three: Statement of Accounts 2011/12

24 Reconciliation of restatements affecting the Statement of Comprehensive Net Expenditure

	2009/10 Original £'000	2009/10 Adjustment £'000	2009/10 Restated £'000
Expenditure			
Staff costs	(248,269)	0	(248,269)
Pension costs actuarial valuation	(21,763)	(840)	(22,603)
Transfer from Government Grant Reserve	500	(500)	0
Depreciation and Amortisation	(35,817)	0	(35,817)
Operating Costs	(181,455)	0	(181,455)
Impairments, losses on asset revaluation, adjustments and write offs	(14,425)	0	(14,425)
	(501,229)	(1,340)	(502,569)
Income			
Funding received separate from Grant-in-Aid	21,670	8,644	30,314
Rents and service charges	62	0	62
Donations of goods and services	2,515	0	2,515
Other operating income	1,778	0	1,778
Recovery of costs	345	0	345
Total operating income	26,370	8,644	35,014
Net Expenditure before interest and tax	(474,859)	7,304	(467,555)
Tax	(1,168)	0	(1,168)
Interest	0	0	0
Net expenditure after interest and tax	(476,027)	7,304	(468,723)
Surplus/(loss) on disposal of non-current assets	22	0	22
Net expenditure for the financial year	(476,005)	7,304	(468,701)
Other Comprehensive Expenditure			
Net gain/(loss) on revaluation of Property Plant and Equipment	(1,216)	0	(1,216)
Net gain/(loss) on revaluation of Intangibles	0	0	0
Actuarial gain/(loss) on pension reserve	(147,664)	0	(147,664)
Total Comprehensive Expenditure for the year ended 31 March	(624,885)	7,304	(617,581)

Part Three: Statement of Accounts 2011/12

	2010/11 Original £'000	2010/11 Adjustment £'000	2010/11 Restatement £'000
Expenditure			
Staff costs	(246,201)	0	(246,201)
Pension costs actuarial valuation	49,790	0	49,790
Transfer from Government Grant Reserve	772	(772)	0
Depreciation and Amortisation	(39,873)	0	(39,873)
Operating Costs	(167,479)	0	(167,479)
Impairments, losses on asset revaluation, adjustments and write offs	(1,830)	0	(1,830)
	(404,821)	(772)	(405,593)
Income			
Funding received separate from Grant-in-Aid	18,014	9,673	27,687
Rents and service charges	56	0	56
Donations of goods and services	1,702	0	1,702
Other operating income	2,457	0	2,457
Recovery of costs	939	0	939
Total operating income	23,168	9,673	32,841
Net Expenditure before interest and tax	(381,653)	8,901	(372,752)
Tax	1,037	0	1,037
Interest	0	0	0
Net expenditure after interest and tax	(380,616)	8,901	(371,715)
Surplus/(loss) on disposal of non-current assets	(352)	0	(352)
Net expenditure for the financial year	(380,968)	8,901	(372,067)
Other Comprehensive Expenditure			
Net gain/(loss) on revaluation of Property Plant and Equipment	(1,437)	0	(1,437)
Net gain/(loss) on revaluation of Intangibles	0	0	0
Actuarial gain/(loss) on pension reserve	66,198	0	66,198
Total Comprehensive Expenditure for the year ended 31 March	(316,207)	8,901	(307,306)

Part Three: Statement of Accounts 2011/12

Reconciliation of restatements affecting the Statement of Financial Position

	2009/10 Original £'000	2009/10 Adjustment £'000	2009/10 Restatement £'000
Non-Current Assets			
Property, Plant & Equipment	139,816	0	139,816
Intangible non-current assets	39,782	0	39,782
	179,598	0	179,598
Other Non-Current Assets			
Receivables falling due after one year	124	0	124
Total Non-Current Assets	179,722	0	179,722
Current Assets			
Trade and other receivables	31,552	108	31,660
Cash and cash equivalents	27,599	0	27,599
Total Current Assets	59,151	108	59,259
Total Assets	238,873	108	238,981
Current Liabilities			
Trade and Other Payables	(52,468)	0	(52,468)
Deferred Income	(8,524)	7,876	(648)
Total Current Liabilities	(60,992)	7,876	(53,116)
Non-Current Assets plus Net Current Assets	177,881	7,984	185,865
Non-Current Liabilities			
IAS Pension Liability	(595,380)	(14,276)	(609,656)
Provisions	(3,964)	(108)	(4,072)
Other Payables	(3,628)	0	(3,628)
Total Non-Current Liabilities	(602,972)	(14,384)	(617,356)
Assets less Liabilities	(425,091)	(6,400)	(431,491)
Taxpayers Equity			
Net Expenditure Reserve	(1,121)	18,279	17,158
Revaluation Reserve	5,652	0	5,652
Pension Reserve	(445,596)	(13,436)	(459,032)
Donated Asset Reserve	744	(744)	0
Government Grant Reserve	10,499	(10,499)	0
Other Reserves	4,731	0	4,731
	(425,091)	(6,400)	(431,491)

Part Three: Statement of Accounts 2011/12

	2010/11 Original £'000	2010/11 Adjustment £'000	2010/11 Restatement £'000
Non-Current Assets			
Property, Plant & Equipment	144,348	0	144,348
Intangible non-current assets	37,919	0	37,919
	182,267	0	182,267
Other Non-Current Assets			
Receivables falling due after one year	97	0	97
Total Non-Current Assets	182,364	0	182,364
Current Assets			
Trade and other receivables	37,277	202	37,479
Cash and cash equivalents	32,285	0	32,285
Total Current Assets	69,562	202	69,764
Total Assets	251,926	202	252,128
Current Liabilities			
Trade and Other Payables	(45,764)	0	(45,764)
Deferred Income	(14,409)	14,004	(405)
Total Current Liabilities	(60,173)	14,004	(46,169)
Non-Current Assets plus Net Current Assets	191,753	14,206	205,959
Non-Current Liabilities			
IAS Pension Liability	(493,660)	0	(493,660)
Provisions	(8,872)	(202)	(9,074)
Other Payables	(3,174)	0	(3,174)
Total Non-Current Liabilities	(505,706)	(202)	(505,908)
Assets less Liabilities	(313,953)	14,004	(299,949)
Taxpayers Equity			
Net Expenditure Reserve	48,056	34,148	82,204
Revaluation Reserve	5,950	0	5,950
Pension Reserve	(392,834)	0	(392,834)
Donated Asset Reserve	763	(763)	0
Government Grant Reserve	19,381	(19,381)	0
Other Reserves	4,731	0	4,731
	(313,953)	14,004	(299,949)

Part Three: Statement of Accounts 2011/12

Reconciliation of restatements affecting the Statement of Changes in Taxpayers Equity

	<i>2009/10 Net Expenditure Reserve £'000</i>	<i>2009/10 Donated Asset Reserve £'000</i>	<i>2009/10 Government Grant Reserve £'000</i>	<i>2009/10 Pension Reserve £'000</i>
Original	(1,121)	744	10,499	(445,596)
Accounting policy adjustment – ARIS	7,876			
Accounting policy adjustment – Donated assets	744	(744)		
Accounting policy adjustment – Government grants	10,499		(10,499)	
Restatement – Pension actuarial valuation*	(840)			840
Pension – additional provision*				(14,276)
Restated	17,158	0	0	(459,032)

	<i>2010/11 Net Expenditure Reserve £'000</i>	<i>2010/11 Donated Asset Reserve £'000</i>	<i>2010/11 Government Grant Reserve £'000</i>	<i>2010/11 Pension Reserve £'000</i>
Original	48,056	763	19,381	(392,834)
Accounting policy adjustment – ARIS	14,004			
Accounting policy adjustment – Donated assets	763	(763)		
Accounting policy adjustment – Government grants	19,381		(19,381)	
Restated	82,204	0	0	(392,834)

*The 2009/10 comparatives were restated in the published 2010/11 Financial statements. This reconciliation includes both those restatements and the additional restatements identified during the preparation of the 2011/12 financial statements.

Explanation of restatements

IAS 20 – Accounting for Government Grants

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity.

Government grants shall not be recognised until there is reasonable assurance that:

- the entity will comply with the conditions attaching to them; and
- the grants will be received.

Part Three: Statement of Accounts 2011/12

Government grants shall be recognised in the Statement of Comprehensive Net Expenditure on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. A government grant that becomes receivable as compensation for expenses already incurred with no future related costs shall be recognised in the Statement of Comprehensive Net Expenditure in the period in which it becomes receivable.

Government grant income relating to an asset can only be deferred if the funder imposes conditions and the fundee has not met those conditions. SOCA as the fundee has met those conditions and has therefore reclassified Government grants to the value of £19.381m originally recorded in the Government Grant Reserve as income in the Statement of Comprehensive Net Expenditure, analysed £10.5m in 2009/10 and £19.381m in 2010/11. SOCA received these grants to recompense spend on approved other government funded activities that are in addition to Home Office DEL funding.

ARIS funding has been reclassified from Deferred Income to the Net Expenditure Reserve. The change in treatment recognises that the additional Home Office funding has been received and is not to be deferred and matched to future planned activity and expenditure.

The Donated Asset Reserve has been reclassified and recorded as income in the Statement of Comprehensive Net Expenditure to the value of £744k and £763k respectively for 2009/10 and 2010/11 as all conditions of funding have been met.

Provisions

Provisions and Trade & Other Receivables have been recorded at gross value to recognise the change in policy for accounting for the Bad Debt provision. In previous years the Bad Debt provision had been netted off against Trade and Other Receivables. The adjustments are for £108k and £202k for years 2009/10 and 2010/11 respectively.

IAS 19 Pensions

The restatement to the pension actuarial valuation in 2009/10 of £0.84m as reported in the Statement of Comprehensive Net Expenditure and additional provision of £14.3m reported in the Statement of Financial Position relate to the adoption of IAS 19. The Government Actuaries Department now require contingent injury awards be provided for. This restatement was originally adopted during the preparation of the 2010/11 financial statements.

25 Subsequent Events

The Serious Organised Crime Agency was directed by the Home Office to host a number of functions that until 31 March 2012 were part of the National Policing Improvement Agency (NPIA). From 1 April 2012 five functions, that support police forces across England, Wales and Scotland transferred into SOCA from the NPIA. The transfer consisted of 161 staff (169 posts), the addition of two building leases, a number of fixed assets, and a resource budget of £10.3 million per annum.

The Accounting Officer, Trevor Pearce, authorised the 2011/12 Annual Accounts to be issued on the date of the Comptroller and Auditor General's audit certificate.

Appendix





Appendix – Criminal Justice Work 2011/12

Orders achieved by SOCA

Order	2011/12	2010/11	Total in place
Serious Crime Prevention Order	40	18	94
Financial Reporting Order	8	11	91
Travel Restriction Order	13	14	80
	2011/12	2010/11	% change

Work in Progress

Operations/projects in progress at 31 March	1065 ¹⁹	625	n/a ²⁰
---	--------------------	-----	-------------------

SOCA Persons of Interest

Percentage subject to action	7088 ²¹	n/a	–
	100 ²²	n/a	–

SOCA casework

UK arrests	884	684	+29
Cases reaching UK courts	340	273	+25
UK convictions	309	240	+29
International casework arrests	1,210	696	+74
Total arrests	2,094	1,380	+52

European Arrest Warrants executed

Wanted from the UK	1149	1,359	-15
Wanted by the UK	93	145	-36

SOCA drug interdiction (tonnes)

Cocaine	67.8	68.1	-0.4
Heroin	4.8	14.7	-67
Opium	8.6	18.9	-54
Cannabis	80.9	89.2	-9

Cutting agent interdiction (tonnes)

	9.1	–	n/a
--	-----	---	-----

Illegal immigrants detained

	397	–	n/a
--	-----	---	-----

SOCA firearms interdictions

Firearms (guns) seized ²³	787	–	n/a
Firearms (other) seized ²⁴	76	–	n/a

Threats to life addressed

	26	–	n/a
--	----	---	-----

¹⁹ Includes Tier 1, 2 and 3 operations under the Integrated Operating Model (IOM). The IOM is described in Part 1.

²⁰ Previous years did not include single strand inquiries, which are now classed as Tier 3 operations so this would not give a like for like comparison. As at 31 March 2011 there were 521 single strand enquiries.

²¹ As at end of March 2012.

²² Subject to an operational response at tiers 1 to 4 of the IOM.

²³ The figure for 2010/11, which was not reported in the Annual Report, was 120.

²⁴ The figure for 2010/11, which was not reported in the Annual Report, was 7.

Appendix – Criminal Justice Work 2011/12

	2011/12	2010/11	% change
Asset recovery²⁵	£18.7m	£20.3m	-8
Additionally SOCA receipted £3.5m from the enforcement of Assets Recovery Agency legacy confiscation orders, an increase from £2.6m in 2010/11.			
Counterfeit Currency seized	£25.8m ²⁶	–	n/a
Value of assets/commodities denied to criminals and fraud prevented			
Drug interdiction	£451.3m ²⁷		
Cutting agent interdiction	£410.4m ²⁸		
Illegal Immigrants detained	£5.0m ²⁹		
Counterfeit Currency seized	£25.8m		
Threats to life addressed	£39.0m ³⁰		
Assets denied	£400.5m		
Fraud prevented	£88.2m ³¹		

Further, through a range of disruption and preventative activity, SOCA has reduced financial burdens to the UK economy and prevented members of the public becoming victims of crime.

²⁵ Combined measure consisting of cash forfeited; confiscation orders enforced and civil recovery and tax receipts. Wider asset denial figures are set out in Part 1. Figures in the accounts differ as they include the deduction of allowable costs.

²⁶ Sterling face value of counterfeit currency seized.

²⁷ Based on 100% of UK seizures following SOCA activity plus 10% of overseas interdictions intended for the UK market, for prudence UK wholesale prices have been used. Had street prices been used the public sector value would have been £1.5 billion.

²⁸ Based on drugs being cut at a ratio of 1:1, the value represents the potential profit denied to the criminal economy.

²⁹ Based on the average cost of removal had they arrived in the UK.

³⁰ Based on the standard cost of a murder enquiry.

³¹ This figure, which is based in part on sensitive data, represents the potential impact if the fraud had occurred.



information & publishing solutions

Published by TSO (The Stationery Office) and available from:

Online

www.tsoshop.co.uk

Mail, Telephone, Fax & E-mail

TSO

PO Box 29, Norwich, NR3 1GN

Telephone orders/General enquiries: 0870 600 5522

Order through the Parliamentary Hotline Lo-Call 0845 7 023474

Fax orders: 0870 600 5533

E-mail: customer.services@tso.co.uk

Textphone: 0870 240 3701

The Parliamentary Bookshop

12 Bridge Street, Parliament Square

London SW1A 2JX

Telephone orders/General enquiries: 020 7219 3890

Fax orders: 020 7219 3866

Email: bookshop@parliament.uk

Internet: <http://www.bookshop.parliament.uk>

TSO@Blackwell and other Accredited Agents

ISBN 978-0-10-297767-7



9 780102 977677