
Serious Fraud Office

Annual Report and Accounts
2012-13

Serious Fraud Office

Annual Report and Accounts
2012-13
(For the year ended 31 March 2013)

Accounts presented to the House of Commons pursuant to Section 6(4) of the Government
Resources and Accounts Act 2000

Accounts presented to the House of Lords by Command of Her Majesty

Annual Report presented to Parliament pursuant to Section 1(15) and Paragraph 3 of
Schedule 1 to the Criminal Justice Act 1987

Ordered by the House of Commons to be printed on 24 June 2013

This is part of a series of departmental publications which, along with the Main Estimates 2013-14, the document Public Expenditure: Statistical Analyses 2013, present the Government's outturn for 2012-13 and planned expenditure for 2013-14.

© Crown Copyright 2013

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: 2-4 Cockspur Street, SW1Y 5BS

You can download this publication from our website at www.sfo.gov.uk

ISBN 978 0 10 298475 0

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

PO ID 2567470 06/13 30597 19585

Printed on paper containing 75% recycled fibre content minimum.

CONTENTS

	Page
Director's Foreword	4
Annual Report	5
Departmental Report Core Tables	8
Management Commentary	11
Remuneration Report	14
Statement of Accounting Officer's Responsibilities	22
Governance Statement	23
Certificate and Report of the Comptroller and Auditor General	33
The Accounting Schedules:	
a) Statement of Parliamentary Supply	35
b) Statement of Comprehensive Net Expenditure	36
c) Statement of Financial Position	37
d) Statement of Cash Flows	38
e) Statement of Changes in Taxpayers' Equity	39
f) Notes to Departmental Accounts	40
Annex A Sustainability Report	61

Director's foreword

I present the Annual report for the Serious Fraud Office for the year 2012-13.

I took up post as Director on 21st April 2012. Since then we have made radical changes to the SFO. Most importantly, we have:-

- Restated the role and purpose of the SFO, namely that we are investigators and prosecutors of serious and complex fraud, bribery and corruption.
- Recalibrated the SFO's take-on criteria accordingly, to focus on the topmost tier of such work.
- Completely restructured the organisation, embedding layers of assurance and challenge, in order to maximise the quality of our legal decision making.
- Appointed a new senior management team.
- Reviewed our inherited caseload, and opened new investigations and pre-investigation projects.
- Issued new guidance on self-reporting and facilitation payments.
- Agreed a return to "blockbuster" funding with HM Treasury.
- Enhanced our intelligence capability.
- Responded to an inspection by HMCPST.
- Rolled out a full training programme.
- Moved to new premises in Cockspur Street.

During the year we completed 12 prosecutions of 20 defendants. Our conviction rate was 70%.

Whilst all our cases are high profile and high risk, our new investigations include those into Libor, Barclays, and Weaving Capital. Our completed prosecutions included that of Asil Nadir, Achilleas Kallakis, Alexander Williams and Nicholas Levene.

Much has been achieved during the year, and we believe that the SFO is firmly set on an upward trajectory.

DAVID GREEN CB QC
Director

Annual Report

Annual Report Basis of Accounts

This document contains the annual report and accounts of the Serious Fraud Office (SFO) for the year 1 April 2012 to 31 March 2013. These have been prepared in accordance with the guidance set out in HM Treasury's Government Financial Reporting Manual (FRM) for 2012-13.

The Annual Report contains, where relevant, the type of information you would expect to see in a director's report for a public company, a management commentary on the SFO and a remuneration report. The accounts show how the SFO has used its resources to deliver its objectives. There is more information on the SFO on its website - www.sfo.gov.uk

Role of the Department

The Serious Fraud Office (SFO) is a non-ministerial government department. It was established by the Criminal Justice Act 1987, following the 1986 Roskill Report. Its role is to investigate and prosecute cases of serious or complex fraud in England, Wales and Northern Ireland and oversees bribery and corruption with a UK connection. Since the introduction of the 2010 Bribery Act, its role has expanded further to include domestic corruption as well. The SFO is headed by the Director, David Green CB QC, who acts under the superintendence of the Attorney General.

Mission

Our mission is to investigate and, where appropriate, to prosecute cases of serious or complex fraud, bribery and corruption and to assist overseas jurisdictions with their investigations into serious or complex fraud and corruption.

The SFO will investigate and, where appropriate, prosecute cases of serious or complex fraud, bribery and corruption which, in the opinion of the Director of the SFO, call for the multi-disciplinary expertise and legislative powers available to the department. In deciding what cases to adopt, the Director will consider all the circumstances of the case including the scale of the loss (actual or potential); the impact of the case on the UK economy; the effect of the case on the UK's reputation as a safe place to do business; the factual or legal complexity of the case; and the wider public interest.

Governance

Information on the SFO's governance and risk management arrangements, and the key challenges the SFO faced in the year, are set out in the Governance Statement to this report and accounts (pages 23 to 32).

SFO Activities and Operations

The SFO has seven operational divisions: two deal with fraud, two with bribery and corruption, one with proceeds of crime, and others with intelligence and one with strategic relations. The work of the strategic relations division includes the servicing of incoming letters of request from foreign jurisdictions asking for investigative assistance. Each division is headed by a member of the Senior Civil Service who leads a number of dedicated case controllers responsible for the day-to-day management of cases. Case controllers are either investigators or lawyers depending on the nature of the case and the stage it is at. Case teams are multi-disciplined with members allocated according to the skills and expertise the case requires. The SFO's case selection criteria are set out on the website - www.sfo.gov.uk.

Company Directorships

Every member of the Senior Civil Service is on the SFO's Strategic Management Board. None hold any company directorships or significant interests which might conflict with their senior management responsibilities.

Key Performance Indicators in 2012-13

The table below provides a summary of performance against key indicators in 2012-13:

	2010-11	2011-12	2012-13
Number of trials	16	19	12
Number of civil recovery orders	1	3	2
Number of defendants convicted	22	39	14
Total number of defendants tried	27	54	20
Percentage of defendants convicted	81%	72%	70%
Average length of sentence (months)	30.9	50.6	71.3
Total sums removed or recovered from persons, entities and defendants associated with criminal or unlawful conduct	£42.7m	£50.2m	£11.4m
Average cost of cases (excluding staff)*	£910k	£669k	£839k
Cost of the SFO per person in the UK **	£0. 63	£0. 61	£0.64

* The average cost of cases is calculated based on cases which have been at trial in that year and excludes staff costs.

** Cost of SFO per person is based on UK population. 2010-11 and 2011-12 figure restated for consistency.

*** The figures for 2012-13 under the last two headings in the above table reflect the recalibration by the SFO's take on criteria (see the Director's foreword, page 4)

Transparency

The SFO is supporting the Government's drive for greater transparency, in line with Cabinet Office guidance (<http://www.cabinetoffice.gov.uk/resource-library/guidance-transparency>) by publishing online:

- Details of payment transactions over £25k.
- Details of GPC transactions over £500;
- Workforce Management Information – paybill costs and workforce numbers.
- In year and end of year non-consolidated performance related pay awards.
- Organisation charts showing salary details (in £5,000 bands) for staff in grades SCS Pay Band 1 and above.

Details are available at www.sfo.gov.uk and www.data.gov.uk (where required).

Additionally details of all new contracts and tender documents for contracts over £10k are published on the Business Link "Contracts Finder" website www.gov.uk/contracts-finder

We comply fully with our obligations under Freedom of Information and Data Protection legislation.

Consultation with employees

People survey

The SFO participated in the Civil Service People Survey in 2012. The SFO achieved a response rate of 71 per cent (down from 78 per cent in 2011) and an engagement score of 53 per cent (up from 50 per cent in 2011).

Through representative groups such as the Equality and Diversity Working Group (whose members are drawn from all grades across the SFO) and the HR Stakeholder Group, staff are consulted during the development of all policies in relation to people issues.

Partnership

The SFO has a formal consultation framework with the Trade Unions - the First Division Association (FDA), Prospect and the Public and Commercial Services (PCS). Monthly People Committee meetings are scheduled and chaired by the Head of Corporate Services.

The SFO was affected by one day of strike action during 2012-13. The industrial action involved PCS staff only; 19 members of staff joined the action.

Social and community issues

The SFO works in partnership with City Action to encourage staff to participate on volunteering activities in support of the local community. Staff who wish to volunteer are entitled to claim one day's special leave.

Departmental Report Core Tables

The tables below set out the key data for the Serious Fraud Office as required by the Public Expenditure System Paper PES (2011) 10.

Table 1 Public Spending

	£000s						
	2008- 09 Outturn	2009- 10 Outturn	2010- 11 Outturn	2011- 12 Outturn	2012- 13 Outturn	2013- 14 Plans	2014- 15 Plans
Resource DEL							
Section A: Investigations and Prosecution	51,529	39,616	35,513	31,579	38,050	30,172	28,838
Total Resource DEL	51,529	39,616	35,513	31,579	38,050	30,172	28,838
of which:							
Pay	23,640	19,948	19,941	18,820	19,495	18,303	17,834
Procurement	27,031	20,306	17,846	17,187	19,360	12,499	11,442
Depreciation*	2,354	2,709	2,137	2,531	2,083	1,870	2,062
Non vote income	(1,496)	(3,347)	(4,411)	(6,959)	(2,889)	(2,500)	(2,500)
Resource AME	1,762	517	-	(184)	(22)	2,000	2,000
Total Resource Budget	53,291	40,133	35,513	31,579	38,050	32,172	30,838
of which:							
Depreciation	2,354	2,709	2,137	2,351	2,083	1,870	2,062
Capital DEL							
Section A: Investigations and Prosecution	1,864	2,979	2,745	709	1,107	1,440	1,820
Total Capital Budget**	1,864	2,979	2,745	709	1,107	1,440	1,820
Total departmental spending***	52,801	40,403	36,121	29,937	37,074	31,742	30,596
of which:							
Total DEL	51,039	39,886	36,121	30,121	37,096	29,742	28,596
Total AME	1,762	517	-	(184)	(22)	2,000	2,000

* Includes impairments

** Expenditure on tangible and intangible fixed assets net of sales

*** Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of the resource budget AME and capital budget AME less depreciation in AME.

Table 2 - Capital Employed

£000s

	2008- 09 Outturn	2009- 10 Outturn	2010- 11 Outturn	2011- 12 Outturn	2012- 13 Outturn	2013- 14 Plans	2014- 15 Plans
Assets and liabilities on the statement of financial position at end of year:							
Assets							
Non-current assets	6,155	6,859	7,335	5,569	4,591	5,538	5,296
Intangible	1,499	2,548	4,066	3,123	2,369	3,828	3,676
Property, Plant and Equipment	4,644	4,300	3,259	2,437	2,214	1,710	1,620
of which:							
Improvements to leasehold property	2,733	2,015	1,065	457	836	750	500
Information technology	1,382	1,895	1,937	1,866	1,362	800	1,000
Furniture and fittings	480	390	257	114	-	160	120
Motor vehicles	49	-	-	-	-	-	-
Assets under Construction	-	-	-	-	16	-	-
Current assets	3,675	2,252	2,556	3,026	2,925	2,200	2,200
Liabilities							
Current (<1 year)	(9,344)	(4,763)	(4,873)	(4,674)	(5,372)	(3,300)	(3,000)
Non-current (>1 year)	-	(298)	(126)	-	-	(298)	(298)
Provisions	(2,050)	(2,279)	(1,467)	(1,283)	(1,262)	(355)	(200)
Capital employed within main department	(2,034)	1,771	3,425	2,638	882	3,785	3,998
Agency assets*	(855)	(173)	(18)	-	-	-	-
Total capital employed in departmental group*	(2,889)	1,598	3,407	2,638	882	3,785	3,998

* For 2011-12 onwards the assets of the NFA are accounted for by the Home Office following a Machinery of Government change effective 1 April 2011.

Table 3 – Public Spending Control

The level of expenditure incurred by Government Departments, including the Serious Fraud Office, is subject to statutory limits approved by Parliament. It is a fundamental form of accountability that expenditure within a financial year does not exceed these limits. There are four key financial targets which the Serious Fraud Office must achieve. Our performance for 2012-13 against these targets is set out in the table below:

	£000s			
	Revenue DEL	Revenue AME	Capital DEL	Net Cash Requirement
Expenditure limits set at start of year and subsequent adjustments				
Main Estimate	33,400	1,400	1,600	32,708
Supplementary Estimate	7,376	5,357	-	6,000
Final limit	40,776	6,757	1,600	38,708
<hr/>				
Expenditure incurred	38,050	(22)	1,107	36,222
<hr/>				
Performance within limits	Yes	Yes	Yes	Yes

Table 4 - Administration budget

	£000s						
	2008- 09 Outturn	2009- 10 Outturn	2010- 11 Outturn	2011- 12 Outturn	2012- 13 Outturn	2013- 14 Plans	2014- 15 Plans
Section A: Investigations and prosecution	-	-	-	7,546	7,019	7,900	7,351
Total administration budget*	-	-	-	7,546	7,019	7,900	7,351
of which:							
Paybill	-	-	-	4,514	4,413	2,528	2,460
Expenditure	-	-	-	3,032	2,606	5,372	4,891
Income	-	-	-	-	-	-	-

* From 1 April 2008 to 31 March 2011 all operating costs for the SFO were classified as programme. The Spending Review for 2010 which covers 2011-12 to 2014-15 financial years has reinstated the requirement for the reporting of expenditure split between programme and administration.

Table 5 - Staff in post

	2009-10 Actual	2010-11 Actual	2011-12 Actual	2012-13 Actual
Civil service (full time equivalents)	302	295	279	278
Fixed Term Appointments	5	10	27	14
Total*	307	305	306	292

* The numbers in this table reflect staff numbers at 31 March 2012, including those on fixed term contracts but excluding Agency staff. The numbers in this table are not directly comparable with those in note 6(b) which shows average staff numbers for the year.

Management Commentary

Going Concern Basis

In common with other government departments, the future financing of the SFO's liabilities is met by future grants of supply and the application of future income, both to be approved by Parliament each year. The amounts required for 2012-13 have already been approved and there is no reason to believe that future approvals will not be forthcoming. It was therefore appropriate to prepare these financial statements on a going concern basis.

The Department's net assets of £882k at 31 March 2013 compare to net assets of £2,638 as at 31 March 2012. The movement in the position reflects reductions in the non current asset values at 31 March 2012 offset by an increase in current assets due to cash holdings at 31 March and a reduction in trade receivables compared to 2011 values.

The Statement of Financial Position as at 31 March 2013 includes the following liability payable over a number of years:

The provision for future payments associated with the early retirements of individuals in posts no longer required, with an increase in year of £123k reducing the total provided to £738k.

Reconciliation of Resource Expenditure between Estimate, Accounts and Budget

	2012-13 £000	2011-12 £000
Net Resource Outturn (Estimate)	47,533	35,189
Unused Resources	(9,505)	(3,794)
Income payable to the Consolidated Fund	-	-
Net Operating Cost (Accounts)	38,028	31,395
Of which:		
- Departmental Expenditure Limit (DEL)	38,050	31,579
- Annually Managed Expenditure (AME)	(22)	(184)

Net Resource Outturn and Net Operating Cost

The resources available to the SFO are determined by Parliament through the Supply Estimates procedure. The increase in both the Net Resource Outturn and Net Operating Cost over the previous year represents an increase in expenditure to support blockbuster cases.

As shown in the Statement of Parliamentary Supply on page 35, there has been an overall underspend of £2,726k against the DEL Estimate and an overall underspend of £6,779k against the AME Estimate. Income from civil recovery settlements and cost awards decreased in 2012-13 to £2,889k compared to £6,959k in 2011-12.

Net Cash Requirement

The net cash requirement of £36,222k for 2012-13 is £2,486k less than the estimated requirement for the year and reflects the operating expenditure of the SFO, which was lower than originally anticipated due to lower than budgeted costs across a number of areas.

Financial Instruments

Details about the SFO's policies on financial instruments are included in the notes to these accounts. Most financial instruments are for contracts to buy non-financial items in line with the expected purchase and usage requirements and the department is therefore not exposed to significant credit, liquidity or market risk.

Investment in the Future

All current and capital expenditure support core operational functionality and are planned, as far as possible, to take account of changing circumstances which may affect these operations before they occur. The SFO continues to seek value for money on all procurements and contracts. Because the SFO is a small organisation, this is best done by using the Office of Government Commerce framework as much as possible and continuing partnerships with other public sector organisations that have dedicated resources working in these areas.

Pensions and Early Departure Costs

Details about the SFO's pensions and early departure policies are included in the notes to these accounts.

Paying Suppliers

The SFO's current payment policy is to pay bills on agreed contractual conditions, or where there are no conditions, either within 30 days of receiving the goods and services or on the presentation of a valid invoice, whichever is the later. The SFO paid 87% (2011-12 90%) of supplier invoices to time.

The Prime Minister made a commitment in October 2008 that central government departments would move to paying invoices within 10 days of goods being received and with a valid invoice. During 2012-13 the SFO paid 37% (2011-12 47%) of supplier invoices within 10 days. The legal requirement remains 30 days.

Data Handling

The SFO has continued to build on the work it has done following the publication of the Cabinet Office guidance on Reporting of Personal Data Related Incidents which was issued in April 2008. The guidance requires government departments to:

- give the Information Commissioner's Office a summary of incidents
- disclose the numbers of incidents recorded by the department, but not required to be reported, in the department's annual report and accounts

Three potential data loss incidents were recorded for the year. Two involved the theft of encrypted laptops and the third of a Blackberry configured to CESH standards. Due to the strength of the encryption deployed we are confident that no personal data was compromised in all three losses.

There was also a further loss of a Blackberry configured to CESH standards; however this item was handed into the police by a member of the public and subsequently returned to us. We are satisfied that no personal data was compromised.

Equal Opportunities

The SFO is committed to equality and diversity recognising differences between people and positively valuing the different perspectives and skills of our people. The SFO is committed to ensuring we provide an environment where everyone is treated with dignity and respect. The SFO has an action plan in place to ensure it meets its obligations under the Public Sector Equality Duty.”

Disability

The SFO's Dignity at Work policy emphasises and embraces the importance of treating everyone equally with dignity and respect, irrespective of race, disability, gender, sexual orientation, religion or belief or age. Our policy offers guidance on what to do if unacceptable behaviour occurs. The average number of declared disabled staff during the year was 17 (2011-12: 18).

Sickness

The SFO wants its employees to attend work regularly. However, it recognises that, from time to time, employees may be unable to do this because of ill health. Working in partnership with its employees, the SFO tries to find ways to manage sick absences and to ensure that employees return to work at the earliest possible opportunity. Average working days lost due to sickness (per employee) was 7.00 (2011-12: 8.76 days), an encouraging trend.

Auditors

The Comptroller and Auditor General is the statutory auditor for the SFO's accounts. The Department's notional audit fee for 2012-13 is £64,500 (2011-12: £64,500).

So far as I am aware, there is no relevant audit information of which the SFO's auditors are unaware, and I have taken all the steps that ought to have been taken to make myself aware of any relevant audit information and to establish that the SFO's auditors are aware of that information. No further assurance or other advisory services were provided by the auditors.

DAVID GREEN CB QC
Accounting Officer
13 June 2013

Remuneration Report

Ministers and Senior Officers

The Attorney General (the Rt. Hon. Dominic Grieve QC) superintended the work of the SFO during the period covered by these accounts. The information given below relates to the Director and senior managers of the SFO. Information relating to the Attorney General is given in the accounts of HM Procurator General and Treasury Solicitor.

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Senior Salaries Review Body. In reaching its recommendations, the Review Body considers:

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

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. The Director's salary is linked to that of a High Court Judge.

Remuneration Committee

The remuneration SCS is determined in accordance with the report of the Senior Salaries Review Body. The SFO's Senior Civil Service (SCS) Pay Committee meets annually to consider pay increases and bonus payments in accordance with these recommendations. The committee consists of the Director and the non-executive directors.

At Risk Pay

For grades below the SCS, there are twice yearly merit and annual performance reviews. Instant bonuses can also be awarded by Heads of Divisions to individuals or teams who have completed a task under challenging circumstances. To assess performance, the SFO uses a competency framework. Each role within the Department is measured against the appropriate level of each competency. A formal review of performance is conducted at least once a year. In 2012-13 the annual performance bonus accrual for grades below the SCS totalled £190,000 (2011-12: £150,000).

Service Contracts

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

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk

The Director and Accounting Officer of the SFO is David Green CB QC.

Senior Official Appointments

David Green CB QC was appointed by the Attorney General on a renewable four-year contract that began on 21 April 2012.

Salary and Pension Entitlements

This information is subject to audit.

The following sections provide details of the remuneration and pension interests of the most senior management of the Department during the year. The most senior management of the SFO is represented by the executive members of the Strategic Management Board and Executive Board.

Non-Executive Board Members

Name and title	2012-13	2011-12
	£000	£000
Alan Graham MBE Non-Executive Director	30-35	25-30
Dame Elizabeth Neville DBE QPM DL Non-Executive Director (to 31 July 2012)	5-10	15-20
Robert Goldspink Non-Executive Director (to 31 March 2013)	15-20	25-30
Simon Duckworth DL Non-Executive Director	10-15	5-10

The Non-Executive Directors have been appointed on a three year renewable contract with their remuneration determined by the number of days required for their duties at a rate per diem plus reimbursement of expenses. None of the current Non-Executive Directors are members of the Civil Service Pension Scheme.

Senior Executives

Name and title	2012-13		2011-12	
	Salary £000	Bonus Payments £000	Salary £000	Bonus Payments £000
Richard Alderman Director (to 20 April 2012)	15-20 (170 -175 full year equivalent)	-	165-170	-
Phillippa Williamson * Chief Executive Officer (to 16 April 2012)	5-10 (120-125 full year equivalent)	10-15	130-135	10-15
Christian Bailes Chief Operating Officer (to 31 December 2012)	125-130 (125-130 full year equivalent)	10-15	115-120	5-10
David Green CB QC Director (from 21 April 2012)	160-165 (170-175 full year equivalent)	-	-	-
Alun Milford General Counsel (from 28 August 2012)	65-70 (110-115 full year equivalent)	-	-	-
His Honour Geoffrey Rivlin QC Advisor to Director (from 1 August 2012)	65-70 (100-105 full year equivalent: part time)	-	-	-
Kevin Davis Chief Investigating Officer (from 13 August 2012)	40-45 (70-75 full year equivalent)	-	-	-
Kristin Jones Head of Strategic Relations (from 1 October 2012)	40-45 (80-85 full year equivalent)	-	-	-
Barnaby Todd Chief Financial Officer (from 10 December 2012)	20-25 (80-85 full year equivalent)	-	-	-
Matthew Wagstaff Head of Division A (from 30 July 2012)	55-60 (80-85 full year equivalent)	-	-	-
Patrick Rappo Head of Division B (from 18 September 2012)	30-35 (80-85 full year equivalent)	-	-	-
Jane de Lozey Head of Division C (from 18 September 2012)	40-45 (80-85 full year equivalent)	-	-	-

Clare Whitaker Head of Division D (from 18 September 2012)	40-45 (80-85 full year equivalent)	-	-	-
Mark Thompson Head of Proceeds of Crime (from 22 October 2012)	30-35 (80-85 full year equivalent)	-	-	-
Lesley Dugdale Head of Corporate Services	80-85	5-10	-	-

* Redundancy costs in respect of Phillippa Williamson were accrued in the 2011-12 accounts and detailed in the remuneration report for that year.

Salary

Salary includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Department and thus recorded in these accounts.

Benefits in Kind (BIK)

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

The benefit in kind for the Chief Executive Officer is estimated to be £1,204 for the payment of travel and hotel costs for home to work travel incurred between 1 April 2012 and 16 April 2012. These payments arise from their home base being out of London. This is enhanced by taxation and NI contributions to the value of £905 (2011-12 10,300 and £7,700 respectively).

Bonuses

Bonuses relate to the performance in the year prior to which they become payable to the individual. The bonuses reported in 2012-13 relate to performance in 2011-12 and the comparative bonuses reported for 2011-12 relate to performance in 2010-11

Redundancy Costs

Christian Bailes (Chief Operating Officer) left under voluntary redundancy terms on 31 December 2012 (in satisfaction of an agreement entered into by the previous Director during 2011-12). SFO made a payment of £409,114 to *My Civil Service Pension* to cover all additional pension costs arising from early departure. In addition he received compensation in lieu of notice £33,330 and an ex-gratia payment of £15,000. Further information is set out in the Governance Statement (pages 23 and 32). The total redundancy cost is disclosed as being within the £450,000 - £475,000 band (page 48). Details were published in a report by Tim Hurdle which was made available on the SFO's website

Details of amounts Payable to Third Party Entities in respect of Interim Senior Management Services

This information is subject to audit

The Management Board engaged the services of the following interim senior managers to undertake an organisational finance review and then assist in the implementation of the recommendations.

	Position	Cost to the SFO £000
Ally Cook (from 16 January 2012 to 13 December 2012)	Interim Chief Financial Officer	120-125

Pay Multiples

	2012-13		2011-12
Band of Director's Remuneration (£000)	170-175	Band of Director's Remuneration (£000)	165-170
Median Total (£)	34,356	Median Total (£)	33,546
Remuneration Ratio	5.02	Remuneration Ratio	4.99

The SFO is required to disclose the relationship between the salary of the most highly-paid individual in their organisation and the median earnings of the SFO's workforce. The salary of the most highly-paid individual in the SFO in the financial year 2012-13 was £170,000 - £175,000. This was 5.02 times the median salary of the workforce, which was £34,356.

The ratio has increased slightly from 4.99 in 2011-12 because of a marginal increase in the median pay for permanent staff and the appointment in 2012-13 of a number of fixed term staff above the median pay point.

Off-payroll engagements (e.g. contractors, consultants) at a cost of over £58,200 per annum that were in place as of 31 January 2012.

Number in place on 31 January 2012	10
Of which:	
Number that have since been re-negotiated / re-engaged, to include contractual clauses allowing the department to seek assurance as to their tax obligations	1
Number that have not been successfully re-negotiated, and therefore continue without contractual clauses allowing the department to seek assurance as to their tax obligations	0
Number that have come to an end	9
Total	10

New off-payroll engagements between 23 August 2012 and 31 March 2013, for more than £220 per day and more than six months

Number of new engagements	1
Of which:	
Number of new engagements which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	1
Of which:	
Number for whom assurance has been requested but not received	0
Number that have been terminated as a result of assurance not being received	0
Total	1

Pension Benefits

Name and title	Accrued pension at pension age as at 31/3/13 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/13	CETV at 31/3/12***	Real increase in CETV
	£000	£000	£000	£000	£000
Richard Alderman Director (to 20 April 2012)	80-85 plus 245-250 lump sum	0-2.5 plus 0-2.5 lump sum	1,850	1,847	1
Phillippa Williamson * Chief Executive Officer (to 16 April 2012)	50-55	2.5-5.0	798	757	41
Christian Bailes Chief Operating Officer (to 31 December 2012)	45-50 plus 140-145 lump sum	0-2.5 plus 0-2.5 lump sum	817	775	1
David Green CB QC ** Director (from 21 April 2012)	15-20	2.5-5.0	331	268	48
Alun Milford General Counsel (from 28 August 2012)	25-30 plus 85-90 lump sum	2.5-5.0 plus 7.5-10 lump sum	450	395	47
His Honour Geoffrey Rivlin QC Advisor to Director (from 1 August 2012)	-	-	-	-	-

Kevin Davis Chief Investigating Officer (from 13 August 2012)	25-30 plus 85-90 lump sum	2.5-5.0 plus 7.5-10 lump sum	511	446	45
Kristin Jones Head of Strategic Relations (from 1 October 2012)	30-35 plus 55-60 lump sum	0-2.5	588	560	3
Barnaby Todd Chief Financial Officer (from 10 December 2012)	25-30 plus 80-85 lump sum	0-2.5 plus 0-2.5 lump sum	457	454	-
Matthew Wagstaff Head of Division A (from 30 July 2012)	20-25 plus 25-30 lump sum	0-2.5	282	264	3
Patrick Rappo Head of Division B (from 18 September 2012)	5-10	0-2.5	65	52	9
Jane de Lozey Head of Division C (from 18 September 2012)	10-15	0-2.5	137	116	13
Clare Whitaker Head of Division D (from 18 September 2012)	25-30 plus 75-80 lump sum	0-2.5 plus 2.5-5.0 lump sum	431	410	15
Mark Thompson Head of Proceeds of Crime (from 22 October 2012)	10-15	0-2.5	163	151	6
Lesley Dugdale Head of Corporate Services	20-25 plus 60-65 lump sum	0-2.5 plus 5.0-7.5 lump sum	335	287	29

* Member of Premium Scheme - lump sum not applicable

** Member of Nuvos Scheme - lump sum not applicable

Civil Service Pensions

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

Employee contributions are salary-related and range between 1.5% and 3.9% of pensionable earnings for **classic** and 3.5% and 5.9% for **premium, classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2013. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

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

Cash Equivalent Transfer Values

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

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

Real increase in CETV

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

Partnership Pensions

None of the Senior Management team participates in partnership pension arrangements (see note 6).

DAVID GREEN CB QC
Accounting Officer
13 June 2013

Statement of Accounting Officer's Responsibilities

1. Under Section 5 of the Government Resources and Accounts Act 2000 HM Treasury has directed, the SFO to prepare, for each financial year, accounts detailing the resources acquired, held or disposed of during the year and the use of resources during the year by the department during the year.
2. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the department and of its net resource outturn, resources applied to the objectives, changes in taxpayers' equity and cash flows for the financial year.
3. In preparing the accounts, the principle Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:
 - a. observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
 - b. make judgements and estimates on a reasonable basis;
 - c. state whether applicable accounting standards, as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and
 - d. prepare the accounts on a going concern basis.
4. HM Treasury has appointed the Director of the SFO as the Accounting Officer of the Department. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out *Managing Public Money* published by HM Treasury.

Governance Statement

Scope of responsibility

This statement covers the SFO's governance arrangements for the year ended 31 March 2013.

Since his arrival as Director and Accounting Officer in April 2012, David Green CB QC has reorganised the SFO's organisational structure and governance, and has appointed a new senior management team. The purpose of the restructure is to embed successive layers of assurance and objective testing to maximise the quality of legal decision making.

The SFO is a small, non-ministerial government department under the superintendence of the Attorney General. The Director of the SFO (who is also the department's Accounting Officer) is appointed by and accountable to, the Attorney General, who is responsible to Parliament for the SFO.

The Accounting Officer is responsible for maintaining a sound system of internal control, which supports the achievement of the SFO's policies, aims and objectives, while safeguarding the public funds and departmental assets, for which the Director is personally responsible, in accordance with the responsibilities assigned to him in *Managing Public Money*.

Governance structure

The SFO's governance arrangements are in line with HM Treasury and Cabinet Office Code of Good Practice for Corporate Governance. There is therefore a clear understanding of the different levels of accountability within the SFO and this helps to promote effective planning and decision taking within the organisation.

Committee structure

During the period covered by this report, the two key committees were the Management Board and the Audit and Risk Committee. Their membership is set out in the table below and their purpose and arrangements in the succeeding sections. There were also a number of supporting committees all of which fed into the work and responsibilities of at least one of the key committees. The supporting committees are the SCS Group, the Equality and Diversity Steering Group, the Accommodation Project Board, the Case Acceptance Board and the Case Review Panel. Each committee had its own terms of reference which were published on the SFO's intranet so that all members of staff could be clear about them.

Members	Management Board (MB)	Audit & Risk Committee (A&RC)	Effective dates of attendance
David Green CB QC (Director)	Chair		From 21 April 2012
Alan Graham MBE (Non-Executive Director (NED))	✓	Chair	Attended throughout year
Dame Elizabeth Neville DBE QPM DL (NED)	✓	✓	To 31 July 2012
Robert Goldspink (NED)	✓	✓	Attended throughout year
Simon Duckworth DL (NED)	✓	✓	Attended throughout year (missed 2 A&RC meetings)
Alun Milford (General Counsel)	✓		From 28 August 2012
His Honour Geoffrey Rivlin QC (Advisor to the Director)	✓		From 1 August 2012
Lesley Dugdale (Head of Corporate Services)	✓		Attended throughout year
Barnaby Todd (Chief Financial Officer)	✓		From 10 December 2012

Members	Management Board (MB)	Audit & Risk Committee (A&RC)	Effective dates of attendance
Kristin Jones (Head of Strategic Relations, Policy, Assurance and International Assistance)	✓		From 1 October 2012
Matthew Wagstaff (Head of Bribery & Corruption Division A)	✓		From 30 July 2012
Patrick Rappo (Head of Bribery & Corruption Division B)	✓		From 18 September 2012 (missed 1 MB meeting)
Jane de Lozey (Head of Fraud Division C)	✓		From 18 September 2012
Clare Whitaker (Head of Fraud Division D)	✓		From 18 September 2012
Mark Thompson (Head of Proceeds of Crime Division)	✓		From 22 October 2012
Kevin Davis (Chief Investigator)	✓		From 13 August 2012
Richard Alderman (Director)	Chair		To 20 April 2012
Phillippa Williamson (Chief Executive)	✓		To 16 April 2012
Christian Bailes (Chief Operating Officer)	✓		To 31 December 2012

Management Board

The Strategic Management Board operated until Richard Alderman's departure. On David Green's arrival, the name was changed to the Management Board. The Director chairs the Management Board which meets every six weeks and whose members include the General Counsel, Advisor to the Director, the Chief Financial Officer, the Head of Corporate Services, the Chief Investigator, the Head of Strategic Relations, Policy, Assurance and International Assistance, each of the Heads of Division and up to four Non-Executive Directors. Individually the non-executive directors have experience in core areas such as the law, financial regulation, policing and the City. The Management Board advises on and supervises the strategic direction of the SFO, supports the operational implications and effectiveness of policy proposals and focuses on getting policy translated into results, specifically:

- setting and articulating the vision for the organisation based on an agreed view of long-term capability and horizon scanning;
- setting the SFO's risk appetite and making sure that controls are in place to manage risk including reviewing and monitoring strategic risks to which the organisation may be exposed;
- setting the SFO's professional standards, competencies and values;
- making sure that strategic decisions are based on a collective understanding of policy issues and that the way the business is designed means that the strategic objectives can be achieved;
- monitoring the SFO's external reputation and brand (by taking a general overview of relations with key stakeholders);
- monitoring performance against the operational business plan, including strategic aims and objectives, using management information and outside perspectives to ensure that the SFO is challenged on its outcomes, and support the drive for improvements;
- ensuring sound financial management and advising on the sign-off of large operational projects or programmes;

- ensuring the SFO has the capability, through talented people, to deliver and to plan to meet current and future needs; and that appropriate succession plans are in place;
- monitoring diversity issues within the SFO;
- any issue referred to the Management Board by any other committee; and
- evaluating the effectiveness of the Management Board and its members.

The Management Board operates as a team with each member of the board sharing a common interest in the overall performance and integrity of the SFO. Each member, therefore, represents the interests of the SFO as a whole at board meetings and not simply the interests of the member's particular area of responsibility.

The Management Board will always try to reach a decision by consensus. In exceptional cases, however, a decision may be taken by the Director alone because of the Director's ultimate personal responsibility for the SFO and as Accounting Officer.

Rules have been agreed so that the Management Board can discharge its responsibilities effectively. These rules deal with the cycle of meetings, setting agendas, the timetable for distributing papers and communicating decisions. Papers for MB meetings cover operational performance; financial and other corporate information; the strategic risk register and the Audit and Risk Committee minutes and reports. A monthly management information "dashboard" has also been introduced.

In addition to this formal role, there are other occasions when the Management Board may meet to discuss important issues or cases that could affect the SFO's strategy or results or the way the SFO is perceived externally or affect the SFO in other significant ways.

The Cabinet Office Code of Good Practice for Corporate Governance cites a nominations and governance committee as good practice. Because the SFO is a small, non-ministerial government department, the Management Board does not consider that a separate nominations and governance committee is necessary. Instead the MB carries out the nominations and governance function as a standing discussion item at each board meeting.

The Management Board met seven times during 2012-13.

Audit and Risk Committee

This Committee is chaired by a non-executive director and has a minimum of three external attendees. This gives the committee the independence it needs to discharge its responsibilities properly. It meets at least five times a year.

The purpose of the committee is to support the Director (as Accounting Officer) and the Management Board by reviewing the comprehensiveness of the assurances that the Director and Management Board receive, and reviewing the reliability and integrity of these assurances. As part of this, the committee also reviews and oversees the organisation's internal and external auditing arrangements, plans and results; and management's response to these. The committee also considers the adequacy of the SFO's risk assessment and management procedures and internal control systems.

The members of the committee are the non-executive directors. Other attendees include the Chief Financial Officer, the Head of Corporate Services and representatives of the external auditors (National Audit Office) and internal auditors (HMRC Internal Audit). Where appropriate, the Committee also asks other SFO officials to attend meetings. The Director (as Accounting Officer) is invited to attend the meeting at which the Accounts and Governance Statement are reviewed and may attend other meetings, as required. Representatives of the external or internal auditors have free access to the committee's chairman.

The committee conducts an annual self-assessment, the most recent taking place in February 2013.

The committee met on five occasions during 2012-13.

Other Organisational Arrangements

The bulk of the SFO's resources is focused on the core business of investigation and prosecution and is organised into specialisms – bribery and corruption, and fraud. The SFO also plays a key role in providing international assistance to overseas investigations. Given the importance of evidence handling and the increasing electronic nature of evidence, the SFO has combined its material management, digital forensics and IT services teams under its Head of Information Technology.

The SFO has a small corporate services team that provides HR, finance, procurement and estate management services. Another small team deals with policy, Parliamentary and freedom of information matters and internal and external communications. It includes the international assistance function and provides quality assurance through the conduct of internal reviews and the oversight of progress against HMCPSP's inspection recommendations.

The Director meets the Attorney General regularly to discuss progress, key risks and issues.

Evaluating the effectiveness of the committees

Both the Management Board and the Audit and Risk Committee have conducted annual self-assessments of their effectiveness. The full Management Board attended a two-day event in October 2012 to review performance and develop strategic plans. There was a critical review of business planning, decision making and the SFO's vision, as well as agreement on the direction for a range of key themes to move the organisation forward. The Audit and Risk Committee used the National Audit Office's *Audit Committee Self-Assessment Checklist* template and undertook a self-assessment in February 2013. Whilst no areas of serious concern were identified, a small number of improvements were suggested.

The information given to the committees

The Management Board and Audit and Risk Committee receive regular paper and oral reports on various aspects of the business. The key management information which underpins all data submitted to the boards is the 'dashboard' (a collection of information from across the SFO's business including case data, operational statistics, people information and information on stakeholders and victims) and financial data. This information is reviewed and collated monthly. The committees find the information sufficiently comprehensive and robust to support the decisions they make.

The function and purpose of the other committees, boards and groups that enable staff to share learning and best practice as well as ensuring that policy and strategy is effectively disseminated throughout the organisation are set out below.

SCS Group

The SCS Group is an informal weekly forum chaired by the Director, and is attended by the Senior Civil Service, excluding the non-executive directors.

The SCSG is the principal forum for managing the SFO's performance. The overarching aim of the Group is to provide a forum at which appropriate representatives from the business can:

- share information frequently and regularly;
- update members on important developments and issues in specific parts of the business;
- discuss issues that cover the whole of the business;
- receive immediate advice, support or resources to resolve issues; and
- review media coverage.

The Group is responsible for:

- leading by example so that senior managers operate and are seen to operate as a co-ordinated team;
- reviewing performance and resolving issues to make sure that the SFO delivers its targets;
- discussing and resolving (so far as possible) immediate operational and functional issues so that the SFO delivers its targets. Where exceptionally this is not possible, the chair (or delegated member) will

escalate the issue to another sub-committee of the Management Board as appropriate. If the issue needs to be resolved before any of these groups convene, the chair (or delegated member) will discuss and resolve the issue with the Director;

- preparing initial key papers and plans (for example, the annual business plan) for discussion and sign-off by the Management Board;
- succession planning;
- finance planning and monitoring;
- ensuring that all parts of the business are aware of major issues, risks, developments and opportunities in the SFO with our partners and other agencies;
- scanning the horizon for opportunities to develop the SFO's business and preparing papers for the Management Board to consider; and
- identifying issues that need to be resolved outside the Management Board and ensuring they are appropriately developed and hand- over.

As well as discussing routine issues, the Group also reviews the progress of papers that are being tabled for the Management Board and issues that need to be escalated to it. It also covers important issues like health and safety, equality and diversity and so on.

Case Evaluation Board

The Board's general purpose is to enable the Director to make an informed decision based on reasoned recommendations to initiate or decline an investigation.

The Board may:

- evaluate and challenge intelligence referrals against the Statement of Principle;
- assess strategic and tactical risk, cost/resource implications; and, where appropriate
- consider potential cases in the context of HM Government's strategic approach to economic crime.

The Board meets periodically, depending on intelligence developments, and reports to the Director.

Case Review Panel

The Panel's general purpose is to ensure that a level of appropriate scrutiny and challenge is given to each case, whatever risk status it carries, through reviewing progress against risk, with a particular emphasis on the quality of legal decision making.

Panels meet regularly and chaired either by the Director or by General Counsel.

Equality and Diversity Steering and Working Groups

The Group's overarching aim is to provide a forum at which appropriate representatives from the business manage the SFO's obligation under the Public Sector Equality Duty by ensuring that an equality and diversity plan is put in place to address these obligations and that they are implemented. The Steering Group also audits and scrutinises the equality and diversity plan.

Accommodation Project Portfolio Programme Board

The Board was set up in 2011-12 to oversee the transition of the SFO to new premises in Cockspur Street at the end of November 2012. The Board was responsible for the overall direction and management of the project portfolio. It approved all plans, authorised changes, monitored risks and signed off the completion of each stage to ensure that final products were fit to deliver the desired outcomes. It reported to the Management Board. The project was successfully completed and the Programme Board was disbanded in December 2012.

Risk

The SFO's approach to risk is to manage it to a reasonable level rather than eliminate all the risk of failure to achieve policies, aims and objectives. The organisation can only therefore give reasonable and not absolute assurance of effectiveness.

Risk is a standing item on the agendas of the Management Board and Audit and Risk Committee, with new issues being added to the risk registers as appropriate and the status of existing risks being amended in line with developments.

The Strategic Risk Register (which is owned by the Management Board) covers risks including reputation, financial, governance, business continuity, case work and people. The Audit and Risk Committee is responsible for ensuring that the SFO risk management policies and processes are adequate and complied with. The committee also reviews the Strategic Risk Register at its meetings. The Strategic Risk Register alongside Casework Risk Registers which are owned by the relevant Divisional Heads and are updated and reviewed regularly.

Risk appetite

The Management Board has made strategic decisions about the style, shape and quality of risk management within the SFO. A major review of the Strategic Risk Register was undertaken in 2012 and a number of risks were removed as they were not considered to be at a strategic level.

A risk management booklet is available to all staff on the intranet, which outlines the SFO's approach to risk management, responsibilities, risk ratings and review processes.

Using the Strategic Risk Register as its basis, the department's risk appetite has been split into the following external and operational categories – finance, political, legal, business continuity, regulatory, information security, governance, external stakeholders and people. Each category was then allocated a tolerance of high, medium or low risk appetite depending on the information on the Strategic Risk Register.

The tolerances are:

- the SFO is extremely concerned about carrying risks in areas where it has a **low risk appetite**, and requires immediate action to be taken to bring the risk within tolerable levels.
- the SFO is uneasy about carrying risks in areas where it has a **medium risk appetite**, but accepts that some risks need to be taken here provided that they are well considered and well managed.
- the SFO is content to carry risks in areas where it has a **high risk appetite**, but will ensure that any controls are operating effectively and will regularly review the level of risk exposure.

Appetite		Description
Low	Averse	Avoidance of risk and uncertainty is a key objective
Medium	Minimalist	Preference for ultra-safe options that have a low degree of residual risk and may only have limited potential for reward
Medium/High	Open	Willing to consider all options and choose the one that is most likely to result in the successful delivery while also providing an acceptable level of reward
High	Hungry	Eager to be innovative and to choose options based on the potential for higher rewards (despite greater inherent risk)

Capacity to handle risk

The SFO actively considers and identifies potential risks to the organisation. Its strategy to identify and counter risks to the organisation is based on clear senior management leadership and responsibility; delegation to appropriate levels of authority and functional areas of the Department, and the availability of relevant training and information within the SFO.

Managing risk

The SFO has a robust process in place to manage and mitigate organisational and operational risk. Risk appetites ensure that risks to the reputation of the organisation and its ability to deliver its operational effect are mitigated appropriately. This process is overseen by the Audit and Risk Committee.

The SFO has a robust risk management strategy which is regularly reviewed. Each SCS Group member is accountable for risk and mitigation in their respective areas of responsibility as well as corporately. The strategic and case risk registers are reviewed regularly, and risk assessment is part of the project methodology used by project sponsors and managers in their plans.

The Audit and Risk Committee reviews the SFO's risk strategy and the strategic risk register as a standing agenda item. The Audit and Risk Committee provides regular commentary to the Management Board on the strategy and risk register. It also receives reports on the effectiveness of risk management processes and systems. The Management Board reviews the Strategic Risk Register each month.

Risk is inherent in the investigation and prosecution of cases. It is for that reason that the SFO has put in place layers of quality control around casework. The SFO also ensures that it complies with best practice guidance in respect of undertaking operational risk assessments, particularly when deploying staff outside of the SFO estate on search operations.

Significant control issues during 2012-13

Kaupthing Case

A judicial review of the Kaupthing case was heard in May 2012, with an adverse judgment being delivered in July 2012. The case concerned an application for search warrants, the subsequent searches of premises and arrests made in March 2011. The judgment was critical of the SFO's actions and highlights the importance of quality and accuracy of legal decision making. This focus on quality underlies the reorganisation of the SFO that David Green CB QC, as incoming Director, conducted in the first quarter of the 2012-13 financial year. The restructuring and recent senior appointments are designed to embed layers of quality assurance and avoid the repetition of such errors.

Whilst the SFO accepts the criticisms of it made by the Divisional court the outcome of this particular case which concerned events in 2011 does not reflect the quality of the SFO's work in 2013.

Qualification of Accounts

The 2011-12 SFO accounts were qualified. In September 2011 the then Director, Richard Alderman, began a process to make the Chief Executive Officer (CEO) and other senior staff redundant. He offered voluntary redundancy terms under the Civil Service Compensation scheme, leading to the departure of the Chief Executive Officer on 16 April 2012. The key contractual aspects of the severance agreement and payments were in line with new Civil Service Compensation Scheme rules. However, the decision to effect the redundancy was not submitted for the requisite Cabinet Office and HM Treasury approval. In addition, an ex-gratia enhancement to the package, apparently intended to prevent potential employment claims, had not received the requisite HM Treasury approval. Neither the redundancy decision itself nor its terms were brought to the attention of or discussed with the Non-Executive Directors, or the Attorney General's Office in its superintendence role.

Ex gratia payment to the Chief Operating Officer

The previous Director made similar severance arrangements for the Chief Operating Officer, who left the SFO on 31 December 2012. The current Director received legal advice that the SFO was obliged to make the £15,000 ex gratia payment, as a legally binding commitment had been made by the former Director. The current Director sought and obtained approval from the Cabinet Office for the full package, including the ex gratia payment. Despite this, HM Treasury advised that they were not in a position to approve the ex gratia element, as the commitment to make the payment had been irregular. However, from an economic perspective, the Treasury recognised that it would be more appropriate for the SFO to make the payment. Accordingly, a decision was taken to make the ex gratia payment in March 2013.

Public Accounts Committee

The chair of the Public Accounts Committee (the Rt. Hon. Margaret Hodge MP) decided to hold a hearing in relation to the severance payments made to the Chief Executive Officer and to the Chief Operating Officer as well as other governance matters. This took place on Thursday, 7 March 2013; the current and previous Directors gave evidence. The Public Accounts Committee was critical of the way in which both severance payments, approved by the previous Director, were made without Cabinet Office or HM Treasury approval.

Autonomy – consideration of possible conflict of interest

Allegations have been made to the SFO about the circumstances of the sale in 2011 of Autonomy to Hewlett Packard. The Director of the Serious Fraud Office has opened an investigation into those allegations, with a view to using its powers of investigation to allow them to be tested. It is, of course, right to point out that the opening of a criminal investigation does not mean that individuals are guilty of a crime or indeed that a crime has been committed.

It has also been reported that the SFO uses an Autonomy product, Introspect, as a document management tool.

The SFO will make no further comment whilst its investigation is underway.

HMCPIS Report

The SFO was inspected by Her Majesty's Crown Prosecution Service Inspectorate (HMCPIS) in the spring of 2012. Following an initial invitation from the SFO's previous Director (Richard Alderman) and the Attorney General asked HMCPIS to inspect the SFO's casework, as well as some broader issues such as its processes for accepting cases. David Green CB QC, as the incoming Director of the SFO, welcomed the inspection. The report provided a number of key recommendations, all of which were accepted. Implementation of the recommendations is being overseen by the quality assurance manager and progress is reported regularly to the Management Board.

Other key challenges during 2012-13

- The LIBOR case was formally accepted on 6 July 2012, and involves an investigation into allegations of attempts by traders and submitters at a number of banks and other financial institutions to manipulate the rate at which LIBOR was set. The investigations are continuing.
- The SFO has conceded that serious mistakes were in the Tchenguiz case. We acknowledged the reasoned tone of the judicial review judgment and the helpful comments it contained. Lessons from that case underscores the importance of the new Director's emphasis on quality being applied at every level of the SFO's casework. A rolling programme of case review panels is now underway which will ensure that every case receives critical scrutiny and independent challenge from senior staff at key points in its lifecycle.
- The Director has also established a new Quality Assurance team, also headed by a Senior Civil Servant. The purpose of quality assurance in the SFO is to provide the Director with an effective and robust function that ensures processes and procedures are fit for purpose and that best practice is shared across the organisation. Reviews are conducted that focus on both the operational and corporate aspects of the SFO's business.

Making sure that we do what we need to do

The Director, as Accounting Officer, is responsible for reviewing the effectiveness of the system of internal control. The main elements of the department's control framework include:

- a clearly defined 'Statement of Accounting Officer's Responsibilities' (see page 22 of these accounts).

- a Management Board with clear terms of reference and a defined membership, including at least three independent non-executive members, which meets regularly to consider the strategic and operational direction of the SFO.
- a SCS Group which comprises all senior managers. Its function is to review performance and to resolve issues to make sure that the SFO delivers its objectives.
- an Audit and Risk Committee chaired by a non-executive director which meets five times a year. The membership of the committee comprises three non-executive directors. The Chief Financial Officer and the Head of Corporate Services also attend these meetings. In addition, the Director has one-to-one meetings with the Chair of the Audit and Risk Committee.
- a bought-in internal audit service (provided by HM Revenue and Customs) which conducts an annual programme of specific reviews drawn up on a risk analysis basis, agreed by the Audit and Risk Committee and executive managers.
- the Chair of the Audit and Risk Committee has regular bilateral meetings with both the HM Revenue and Customs Internal Audit Manager and the NAO Audit Director with responsibility for the SFO.
- to further embed ethics within the SFO we have collated all ethical codes and policies from the civil service in general and the SFO in particular into one easily accessible place on our intranet. It includes a detailed guide on standards of behaviour and conduct; our whistle-blowing policy and a clear corporate policy to combat fraud.
- the introduction of Operational Instructions (to replace existing guidance). The instructions will be regularly reviewed and updated and will cover all casework processes, procedures and best practice, supported by a monthly case reporting process and quality assurance checks.
- a clear structure of delegated responsibility. All job roles have been reviewed and responsibilities defined.
- a framework of financial regularity and propriety supported by a Finance Manual which provides clear financial policies and protocols.
- a Training Board has been established under the chairmanship of HH Geoffrey Rivlin QC. Membership of the board is representative of the multi-disciplinary approach of the SFO which includes investigators, lawyers, accountants, non-operational and specialist functions such as IT and a NEDs. The board considers the training needs of the organisation and training has been designed specifically for the unique needs of the SFO, and delivered by a mixture of in-house and external experts. A rolling programme of training is underway and reviewed on a regular basis.

Ministerial Directions and Machinery of Government changes

There were no ministerial directions given or Machinery of Government changes during 2012-13.

Cabinet Office rules for information assurance

The SFO applies the Cabinet Office rules for information assurance and complies with the Security Policy Framework for the protection of physical security. In addition, it retains ISO 27001 accreditation which provides assurance that the technical aspects of the way the department manages information are well founded.

All laptops and other devices which are taken out of the office are encrypted and all IT equipment has its data ports disabled to prevent unauthorised copying of data. Heads of Divisions fulfil the role of information asset owners and are responsible for ensuring that case material is suitably protected at all times. There is a system to provide exemptions if unencrypted data needs to be taken off the premises.

Review of effectiveness

As Accounting Officer, the Director is responsible for reviewing the effectiveness of the system of internal control. His review of its effectiveness is informed by the work of the internal auditors and the executive managers within the SFO (who are responsible for developing and maintaining the internal control framework) and comments made by the external auditors in their management letter and other reports.

The Management Board and Audit & Risk Committee have advised the Director on the implications of the result of his review of the effectiveness of the system of internal control. There is a continued plan to address weaknesses and make sure that the system is continuously improved.

Measures in place in the SFO include:

- regular reports by the internal auditors in line with the Government Internal Audit Standards, which include the Head of Internal Audit's assurance on the overall adequacy and effectiveness of the SFO's processes and systems for risk management, control and governance, together with any recommendations for improvement;
- regular reports which are distributed to members of the Management Board and Executive Board, on operational, financial, staffing and IT issues and performance;
- improved business and strategic planning processes;
- improved data security procedures and supporting communications;
- regular reports from the chair of the Audit and Risk Committee, to the management Board; and
- advice on the effectiveness of the system of internal control by the Management Board, Audit and Risk Committee and senior managers.

DAVID GREEN CB QC
Accounting Officer
13 June 2013

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

I certify that I have audited the financial statements of the Serious Fraud Office for the year ended 31 March 2013 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2013 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2013 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and

Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Management Commentary and 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
- 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

Date 17 June 2013

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

Statement of Parliamentary Supply

Summary of Resource and Capital Outturn 2012-13

£000								2012-13	2011-12
	Estimate			Outturn			Voted outturn compared with Estimate: saving/ (excess)	Outturn	
	Note	Voted	Non Voted	Total	Voted	Non Voted			Total
Departmental Expenditure Limit									
- Resource	2(a)	40,776	-	40,776	38,050		38,050	2,726	31,579
- Capital	2(b)	1,600	-	1,600	1,107		1,107	493	709
Annually Managed Expenditure									
- Resource	2(a)	6,757	-	6,757	(22)	-	(22)	6,779	(184)
Total Budget		49,133	-	49,133	39,135	-	39,135	9,998	32,104
Total Resource		47,533		47,533	38,028		38,028	9,505	31,395
Total Capital		1,600		1,600	1,107		1,107	493	709
Total		49,133	-	49,133	39,135	-	39,135	9,998	32,104

Net Cash Requirement 2012-13

£000					2012-13	2011-12
	Note	Estimate		Outturn	Outturn compared with Estimate: saving/ (excess)	Outturn
Net Cash Requirement	4	38,708		36,222	2,486	30,544

Administration Costs 2012-13

£000					2012-13	2011-12
	Note	Estimate		Outturn	Outturn compared with Estimate: saving/ (excess)	Outturn
Administration Costs	3.2	10,614		7,019	3,595	7,546

Explanation of variances between Estimate and Outturn are given in Note 2 and in the Management Commentary.

The notes on pages 40 to 60 form part of these accounts

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2013

£000	2012-13		2011-12
	Note	Department Total	Department Total
Administration Costs			
Staff costs	6	4,265	4,514
Other costs	8	2,606	3,032
Income		-	-
Programme expenditure			
Staff costs	6	15,230	14,306
Other costs	9	18,816	16,502
Income	10	(2,889)	(6,959)
Net Operating Cost for the year ended 31 March 2013		38,028	31,395
Total expenditure		40,917	38,354
Total income	10	(2,889)	(6,959)
Net Operating Cost for the year ended 31 March 2013		38,028	31,395
Other comprehensive Net Expenditure			
Net (gain) / loss on:			
- revaluation of property, plant & equipment		-	-
Total comprehensive expenditure for the year ended 31 March 2013		38,028	31,395

The notes on pages 40 to 60 form part of these accounts

Statement of Financial Position

as at 31 March 2013

£000	2012-13		2011-12
	Note	Department Total	Department Total
Non-current assets:			
Property, plant and equipment	11	2,214	2,437
Intangible assets	12	2,369	3,123
Trade and other receivables	13	8	9
Total non-current assets		4,591	5,569
Current assets:			
Trade and other receivables	13	1,439	1,897
Cash and cash equivalents	14	1,486	1,129
Total current assets		2,925	3,026
Total assets		7,516	8,595
Current liabilities:			
Trade and other payables	15	(5,372)	(4,674)
Provisions	16	(1,069)	(669)
Total current liabilities		(6,441)	(5,343)
Non-current assets plus/less net current assets/liabilities		1,075	3,252
Non-current liabilities			
Trade and other payables	15	-	-
Provisions	16	(193)	(614)
Total non-current liabilities		(193)	(614)
Assets less liabilities		882	2,638
Taxpayers' equity and other reserves:			
General fund		682	2,297
Revaluation reserve		200	341
Total equity		882	2,638

David Green CB QC
Accounting Officer
13 June 2013

The notes on pages 40 to 60 form part of these accounts

Statement of Cash Flows

for the year ended 31 March 2013

£000	2012-13		2011-12
	Note	Department Total	Department Total
Cash flows from operating activities			
Net operating cost		(38,028)	(31,395)
Adjustments for non-cash transactions	8,9	2,500	2,855
(Increase)/Decrease in trade and other receivables <i>less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	13	459	622
		-	-
Increase/(Decrease) in trade payables <i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>	15	697	(325)
		(266)	(848)
Use of provisions	16	(271)	(608)
Net cash outflow from operating activities		(34,909)	(29,699)
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(1,154)	(504)
Purchase of intangible assets	12	(159)	(205)
Proceeds of disposal of property, plant and equipment			
Proceeds of disposal of intangibles			
Net cash outflow from investing activities		(1,313)	(709)
Cash flows from financing activities			
From the Consolidated Fund (Supply)- current year		36,715	31,499
From the Consolidated Fund (Supply)- prior year			-
From the Consolidated Fund (non-Supply)			-
Net financing		36,715	31,499
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		493	1,091
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		-	-
Payments of amounts due to the Consolidated Fund		(136)	-
		-	-
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		357	1,091
Cash and cash equivalents at the beginning of the period	14	1,129	38
Cash and cash equivalents at the end of the period	14	1,486	1,129

The notes on pages 40 to 60 form part of these accounts

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2013

£000	Note	General Fund	Revaluation Reserve	Total Reserves
Balance at 31 March 2011		2,871	554	3,425
Changes in accounting policy		-	-	-
Restated balance at 1 April 2011		2,871	554	3,425
Net Parliamentary Funding - drawn down		31,499		31,499
Net Parliamentary Funding - deemed		38		38
Supply payable/(receivable) adjustment		(993)		(993)
Comprehensive Net Expenditure for the Year		(31,395)		(31,395)
Non-Cash Adjustments				
Non-cash charges - auditor's remuneration	8	65		65
Movements in Reserves				
Transfer between reserves		212	(213)	(1)
Balance at 31 March 2012		2,297	341	2,638
Net Parliamentary Funding – drawn down		36,715		36,715
Net Parliamentary Funding – deemed		993		993
Supply payable/(receivable) adjustment	15 (a)	(1,486)		(1,486)
Comprehensive Net Expenditure for the Year		(38,028)		(38,028)
Non-Cash Adjustments				
Non-cash charges – auditor's remuneration	8	65		65
Movements in Reserves				
Transfer between reserves		126	(141)	(15)
Balance at 31 March 2013		682	200	882

The notes on pages 40 to 60 form part of these accounts

Notes to the Departmental Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2012-13 *Government Financial Reporting Manual* (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Serious Fraud Office for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Serious Fraud Office are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the Department to prepare one additional primary statement. The *Statement of Parliamentary Supply* and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

1.1 Accounting convention

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

1.2 Financial instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the SFO becomes a party to the contractual provisions of the instrument.

The Department is subject to a limited range of financial instruments as its cash requirements are met through the Estimates process and it is not exposed to significant credit, liquidity or market risk.

Borrowings

The SFO has limited powers to borrow money to fund short-term fluctuations in cash flow.

Trade receivables

Trade and other receivables are non-interest bearing and stated at fair value. Provision is made where there is evidence that the balances will not be recovered in full.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, and short-term highly-liquid deposits with a maturity period of three months or less.

Trade payables

Trade payables are not interest bearing and are stated at their fair value.

1.3 Property, plant and equipment and intangible assets

The Department does not own any freehold land and buildings.

Property, plant and equipment assets are included in the Statement of Financial Position at their fair values. In line with the FReM, indexation is used to assess depreciated replacement cost as a proxy for fair value. Indexation adjustments are applied at the reporting date where not doing so would cause the fair values to be materially misstated.

Expenditure on property, plant and equipment and intangible assets is capitalised when that expenditure, on an individual basis, is £2,000 or more. For IT expenditure the £2,000 threshold is applied to assets on a grouped basis. Development expenditure represents internally generated assets under construction.

Property, plant and equipment and intangible assets are subject to consideration for an annual impairment review if there are any indicators of such impairments arising.

1.4 Revaluation reserve

The unrealised element of the Revaluation Reserve is disclosed in the Statement of Financial Position. Realised elements are transferred from the reserve to the General Fund. Downward revaluations are charged to the existing balance brought forward for that particular asset. If there is no previous balance, the charge is expensed in-year and disclosed in the Statement of Comprehensive Net Expenditure.

1.5 Depreciation and amortisation

Depreciation and amortisation are provided monthly on a straight line basis at rates calculated to write off the valuation of property, plant and equipment and intangible assets, less the estimated residual value, over their estimated useful lives. Depreciation and amortisation are provided from the month of acquisition up to and including the month of disposal.

The useful lives, residual values and depreciation and amortisation methods are reviewed annually with any revisions to those estimates accounted for prospectively. The respective useful lives are as follows:

Property, plant and equipment

Improvements to leasehold property	Over the unexpired term of the lease
Information technology	5 years
Furniture and fittings	10 years or over the unexpired term of the property lease (which ever is the shorter)

Intangible assets

software licenses	5 years or over the unexpired term of the related software license (which ever is the shorter)
Information technology	5 years or over the unexpired term of the related software license (which ever is the shorter)
website costs	5 years

Development expenditure is not amortised until the assets are brought into use, at which point amortisation is applied in accordance with the asset category to which the asset is transferred on coming into use.

1.6 Costs awarded to the Serious Fraud Office (SFO)

Costs may be awarded to the SFO as prosecutor under Section 18 of the Prosecution of Offences Act 1985 following a successful prosecution, or as a result of subsequent appeal proceedings.

Where costs are awarded, they may subsequently be revoked or reduced as a result of a successful appeal by the defendant. The court may order that they are not to be recovered without leave of the court, defer recovery until a future date, or subsequently vary the amount and/or timing of recovery or waive it altogether. Responsibility for the recovery of costs awarded rests with the appropriate magistrates' court. The SFO has no powers to recover costs awarded to it.

Where costs are awarded, they are shown as receivables on the Statement of Financial Position. Where they may not be recovered without leave of the court, full provision is made against them until leave is obtained. In other cases, the SFO makes a judgement on the likelihood of costs being recovered based on the circumstances of each case, and may provide accordingly. In practice, full provision is made one year after the debt becomes due except where the defendant is making regular payments to the SFO. Where costs are subject to appeal proceedings, full provision is made against them until all proceedings are finally determined. Subsequent treatment of these receivables and provisions will depend on the outcome of the proceedings.

Costs awarded to the SFO are written off after a period of five years unless there are compelling reasons to believe that payment will be received.

1.7 Costs awarded against the SFO

Any costs awarded against the SFO are included under prosecution costs for the year in which the awards are made.

1.8 Civil Recovery Receipts

The SFO's share of receipts from Civil Recovery and confiscation orders is recognised at the point that payment of the Order is made into the third party bank account prior to onward transfer to the Home Office as required by the Asset Recovery Incentivisation Scheme (ARIS). Payment by the Home Office of the SFO's cash share of the ARIS receipt is generally made at the end of the month following the transfer of the settlement to the Home Office.

1.9 Other income

Any amounts relating to other income not covered above is recognised at the point of payment.

1.10 Administration and programme expenditure

The Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set out in the Consolidated Budgeting guidance issued by HM Treasury.

Administration costs

Administration costs reflect the costs of running the Department.

Programme costs

Programme costs reflect non-administration costs being the direct cost and associated overheads of prosecution. These costs include the employment of counsel and reimbursements paid to witnesses for costs incurred through their attendance at court. Associated overheads include rental and other accommodation costs.

1.11 Foreign exchange

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

1.12 Pensions

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

1.13 Provisions – Early departure costs

The Department is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The Department provides in full for this cost when an early retirement programme has been announced and is binding.

1.14 Provisions – Other

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

1.15 Operating leases

Operating lease rentals and lease incentives are charged to the Statement of Comprehensive Net Expenditure in equal amounts over the lease term.

1.16 Value Added Tax (VAT)

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

1.17 Third party assets

The Department may seize monetary assets. If the Department retains any monetary assets, it invests the sums in an interest bearing account. The principal and the interest earned are held on behalf of the third party and are not a part of the Department's accounts.

1.18 Contingent liabilities

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

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

1.19 Areas of judgement and key sources of estimation uncertainty

The preparation of financial statements requires managers to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Information about such judgements and estimates is contained in the accounting policies or the notes to the financial statements, and the key areas are summarised below.

No sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year have been identified.

1.20 Impending application of newly issued accounting standards not yet effective

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

2(a) Analysis of net resource outturn by section

£000	2012-13								2011-12 Outturn
	Outturn						Estimate		
	Administration			Programme			Net Total	Net total compared to Estimate	
	Gross	Income	Net	Gross	Income	Net			Total
Spending in Departmental Expenditure Limit									
Voted:									
A Investigations and Prosecutions	7,019	-	7,019	33,920	(2,889)	31,031	40,776	2,726	31,579
Annually Managed Expenditure									
Voted:									
B New provision and adjustment to existing provisions	-	-	-	(22)	-	(22)	6,757	6,779	(184)
Total	7,019	-	7,019	33,898	(2,889)	31,009	47,533	9,505	31,395

Explanation of variation between Estimate and Outturn (net total resources):

There has been an overall underspend of £9,505 against the Estimate. A fuller explanation of the variances is given in the Management Commentary within the Foreword.

2(b) Analysis of net capital outturn by section

£000	2012-13								2011-12 Outturn
	Outturn						Estimate		
	Administration			Programme			Net total compared to Estimate	Total	
	Gross	Income	Net	Gross	Income	Net			Net Total
Spending in Departmental Expenditure Limit Voted:									
A Investigations and Prosecutions	-	-	-	1,222	(115)	1,107	1,600	493	709
Total	-	-	-	1,222	(115)	1,107	1,600	493	709

3. Reconciliation of outturn to net operating cost and against Administration Budget

3.1 Reconciliation of net resource outturn to net operating cost

	Note	2012-13	2011-12
		£000 Outturn	£000 Outturn
Total resource outturn in Statement of Parliamentary Supply	2	38,028	31,395
Budget			
Non Budget		-	-
Net Operating Cost in Statement of Comprehensive Net Expenditure		38,028	31,395

3.2 Outturn against final Administration Budget

	2012-13 £000 Outturn	2011-12 £000 Outturn
Estimate - Administration costs limit	10,614	9,389
Outturn – Gross administration costs	7,019	7,546
Outturn – Income relating to administration costs		-
Outturn – Net administration costs	7,019	7,546
Reconciliation to operating costs:		
Less: provisions utilised (transfer from Programme)	(271)	-
Less: Other	123	-
Administration Net Operating Costs	6,871	7,546

4 Reconciliation of Statement of Cash Flows to Net Cash Requirement

		2012-13 £000	2011-12 £000		
	Note	Estimate	Outturn	Net total outturn compared with Estimate: saving / (excess)	Outturn
Net Resource Outturn	2(a)	47,533	38,028	9,505	31,579
Capital					
Capital outturn	13,14	1,600	1,107	493	709
Accruals to cash adjustments					
Depreciation	10,11	(2,292)	(2,083)	(209)	(2,531)
New Provisions and adjustments to previous provisions	16	(7,357)	(249)	(7,108)	(184)
Increase / Decrease in payables		(1,376)	(225)	(1,151)	(259)
Increase / Decrease in receivables			(459)	459	622
Other non cash items			(168)	168	
Use of Provision	16	600	271	329	608
Net cash requirement		38,708	36,222	2,486	30,544

Explanation of variation between Estimate and Outturn:

The net resource outturn variance is £9,505k after taking account of variances on capital acquisitions, movements on non-cash items and reductions in current liabilities including provisions the cash requirement variance for the year was £2,486k.

The Management Commentary within the Foreword to the Accounts gives further details of operating variances.

5 Analysis of income payable to the Consolidated Fund

In addition to income retained by the department the following income relates to the department and is payable to the Consolidated Fund (cash receipts being shown in italics).

	Outturn 2012-13		Outturn 2011-12	
	£000		£000	
	Income	<i>Receipts</i>	Income	<i>Receipts</i>
Operating income outside the ambit of the Estimate	-	-	-	-
Excess cash surrenderable to the Consolidated Fund	-	-	-	361
Total income payable to the Consolidated Fund	-	-	-	361

The SFO received £361k CFER receipts in 11-12 of which £225k was paid to the Consolidated Fund. The remaining £136k received was paid in 12-13.

6 (a) Staff numbers and related costs

Staff costs comprise:

	2012-13			2011-12
	£000			£000
	Permanently employed staff	Others	Total	Total
Wages and salaries	13,361	2,672	16,033	15,393
Social security costs	1,122	-	1,122	1,118
Other pension costs	2,340	-	2,340	2,419
Sub Total	16,823	2,672	19,495	18,930
Less recoveries in respect of outward secondments	-	-	-	(110)
Total net costs *	16,823	2,672	19,495	18,820

* Of which

Charged to administration costs	4,265
Charged to programme costs	<u>15,230</u>
	<u>19,495</u>

£nil (£213k 11-12) of staff costs have been capitalised and are not included in the figures above

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the SFO is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/my-civil-service/pensions).

For 2012-13, employers' contributions of £2,402,135 were payable to the PCSPS (2011-12 £2,707,795) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2012-13 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Employers' contributions of £11,301 (2011-12 £32,814) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to

12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £nil were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the **partnership** pension providers at the balance sheet date were £nil. Contributions prepaid at that date were £nil

6 (b) Average number of persons employed

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

	2012-13			2011-12
	Permanently employed staff	Fixed Term Appointments	Other	Total
Serious Fraud Office	276	21	29	326
Total	276	21	29	326

7 Reporting of Civil Service and other compensation schemes – redundancy and exit packages

Exit package cost band	2012-13			2011-12
	Number of compulsory redundancies	Number of other departures agreed	Total number by cost band	Total number by cost band
<£10,000	-	-	-	-
£10,000 - £25,000	-	1	1	1
£25,000 - £50,000	-	4	4	1
£50,000 - £100,000	-	4	4	-
£100,000 - £150,000	-	1	1	-
£450,000-£475,000	-	1	1	1
Total Number of exit packages	-	11	11	3
Total cost (£000)	-	1,105	1,105	

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 are not included in the table.

8 Other Administration Costs

		2012-13	2011-12
	Note	£000	£000
Rentals under operating leases:		384	382
Non-cash items:			
Depreciation	11	220	234
Amortisation	12	134	195
Auditor's remuneration and expenses		65	65
Write back's / write-offs		-	(243)
Amounts provided for early departure costs	16	124	-
Amounts provided for Dilapidations	16	10	-
Loss on disposal of property, plant and equipment		18	-
		571	251
Other expenditure:			
General Administration		776	824
IT costs		453	329
Other accommodation costs		351	330
Travel and subsistence		35	57
Consultancy		31	856
Hospitality		5	3
		1,651	2,399
Total		2,606	3,032

9 Programme Costs

		2012-13	2011-12
	Note	£000	£000
Rentals under operating leases:		1,962	1,976
Non-cash items:			
Depreciation	11	1,072	1,142
Amortisation	12	656	960
Amounts provided for Dilapidations	16	47	397
Amounts no longer required for legal provisions	16	68	27
Loss on disposal of property, plant, and equipment		86	78
		1,929	2,604
Other expenditure:			
Counsel costs		5,059	4,697
Costs awarded against the SFO		3,655	222
Other accommodation costs		1,932	1,803
IT costs		1,775	1,573
Civil Litigation		822	68
General Administration		744	682
Other programme costs		549	1,838
Hospitality		4	5
Travel and subsistence		203	211
Investigating Accountants costs		182	823
		14,925	11,922
Total		18,816	16,502

10 Income

	2012-13	2011-12
	£000	£000
Civil recoveries	1,013	6,446
Costs awards	62	297
Other income	800	17
Incentivisation	1,014	199
Total	2,889	6,959

11 **Property, plant and equipment 2012-13**

	Improvements to Leasehold Property	Information Technology	Furniture and Fittings	AUC	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2012	3,544	3,550	834	-	7,928
Additions	916	252	-	16	1,184
Disposals	(3,544)	(775)	(834)	-	(5,153)
Revaluations	-	-	-	-	-
At 31 March 2013	916	3,027	-	16	3,959
Depreciation					
At 1 April 2012	3,087	1,684	720	-	5,491
Charged in year	537	645	110	-	1,292
Disposals	(3,544)	(664)	(830)	-	(5,038)
Revaluations	-	-	-	-	-
At 31 March 2013	80	1,665	-	-	1,745
Net book value at 31 March 2013	836	1,362	-	16	2,214
Net book value at 31 March 2012	457	1,866	114	-	2,437

Asset financing:

All assets are owned.

11 **Property, plant and equipment 2011-12**

	Improvements to Leasehold Property	Information Technology	Furniture and Fittings	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 April 2011	3,544	4,567	831	8,942
Additions	-	551	3	554
Disposals	-	(1,568)	-	(1,568)
Revaluations	-	-	-	-
At 31 March 2012	3,544	3,550	834	7,928
Depreciation				
At 1 April 2011	2,479	2,630	574	5,683
Charged in year	608	622	146	1,376
Disposals	-	(1,568)	-	(1,568)
Revaluations	-	-	-	-
At 31 March 2012	3,087	1,684	720	5,491
Net book value at 31 March 2012	457	1,866	114	2,437
Net book value at 1 April 2011	1,065	1,937	257	3,259

Asset financing:

All assets are owned.

Reconciliation of cash flows to property, plant and equipment additions

	2012-13	2011-12
	£000	£000
Total property, plant and equipment additions	1,184	554
Opening property, plant and equipment accrual	50	-
Closing property, plant and equipment accrual	(80)	(50)
Cash flows for property, plant and equipment additions	1,154	504

12 Intangible assets 2012-13

	Information Technology	Software Licenses	Website Costs	Development Expenditure	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2012	7,637	1,261	265	93	9,256
Additions	-	37	-	-	37
Disposals	-	(312)	-	-	(312)
Write-back	(94)	75	-	-	(19)
Reclassifications	-	-	93	(93)	-
At 31 March 2013	7,543	1,061	358	-	8,962
Amortisation					
At 1 April 2012	4,753	1,224	156	-	6,133
Charged in year	643	105	43	-	791
Disposals	-	(312)	-	-	(312)
Write-back	(19)	-	-	-	(19)
Reclassifications	-	-	-	-	-
At 31 March 2013	5,377	1,017	199	-	6,593
Net book value at 31 March 2013	2,166	44	159	-	2,369
Net book value at 31 March 2012	2,884	37	109	93	3,123

12 Intangible assets 2011-12

	Information Technology	Software Licenses	Website Costs	Development Expenditure	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2011	7,165	1,642	299	259	9,365
Additions	213	-	-	93	306
Disposals	-	(287)	(34)	-	(321)
Credit Adjustments	-	(94)	-	-	(94)
Reclassifications	259	-	-	(259)	-
At 31 March 2012	7,637	1,261	265	93	9,256
Amortisation					
At 1 April 2011	4,128	1,027	144	-	5,299
Charged in year	625	484	46	-	1,155
Disposals	-	(287)	(34)	-	(321)
Credit Adjustments	-	-	-	-	-
Reclassifications	-	-	-	-	-
At 31 March 2012	4,753	1,224	156	-	6,133
Net book value at 31 March 2012	2,884	37	109	93	3,123
Net book value at 31 March 2011	3,037	615	155	259	4,066

Reconciliation of cash flows to intangible asset additions

	2012-13	2011-12
	£000	£000
Total intangible asset additions	37	306
Opening intangible asset accrual	122	21
Closing intangible asset accrual	-	(122)
Cash flows for intangible assets additions	159	205

13 Trade receivables and other current assets

13 (a) Analysis by type

	2012-13 £000	2011-12 £000
Amounts falling due within one year:		
VAT receivable	-	215
Deposits and advances	282	143
Other receivables	12	20
NFA receivables	-	420
Prepayments and accrued income	1,136	990
Costs awarded to the SFO	56	156
Provision for bad and doubtful debt	(47)	(47)
	1,439	1,897

	2012-13 £000	2011-12 £000
Amounts falling due after more than one year:		
Costs awarded to the SFO	8	9

13 (b) Intra-Government balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Balances with other Central Government bodies	437	653	-	-
Balances with bodies external to government	1,002	1,244	8	9
Total	1,439	1,897	8	9

14 Cash and cash equivalents

	2012-13 £000	2011-12 £000
Balance at 1 April	1,129	38
Net change in cash and cash equivalent balances	357	1,091
Balance at 31 March	1,486	1,129
The following balances at 31 March were held at:		
Government Banking Service	1,486	1,129
Commercial banks and cash in hand	-	-
Balance at 31 March	1,486	1,129

15 Trade payables and other current liabilities

15 (a) Analysis by type

	2012-13 £000	2011-12 £000
Amounts falling due within one year:		
VAT Creditor	599	-
Trade payables	138	112
Accruals and deferred income	3,069	3,261
Pension providers	-	-
Non current asset accruals	80	172
Amounts issued from the Consolidated Fund for supply but not spent at year end	1,486	993
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:		
Received	-	136
Receivable	-	-
	5,372	4,674

15 (b) Intra-Government balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Balances with other Central Government bodies	1,108	165	-	-
Balances with bodies external to government	4,264	4,509	-	-
Total	5,372	4,674	-	-

16. Provisions for liabilities and charges

	Early departure costs	Legal Costs	Leasehold property dilapidations	Total
	£000	£000	£000	£000
Balance at 1 April 2012	886	397	-	1,283
Provided / (Released) in the year	124	69	57	250
Provisions utilised in the year	(271)	-	-	(271)
Balance at 31 March 2013	739	466	57	1,262
Amounts falling due within one year	603	466	-	1,069
Amounts falling due after one year	136	-	57	193
Total	739	466	57	1,262

	Early departure costs	Legal Costs	Leasehold property dilapidations	Total
	£000	£000	£000	£000
Balance at 1 April 2011	1,222	-	245	1,467
Provided / (Released) in the year	27	397	-	424
Provisions utilised in the year	(363)	-	(245)	(608)
Balance at 31 March 2012	886	397	-	1,283
Amounts falling due within one year:	272	397	-	669
Amounts falling due after one year:	614	-	-	614
Total	886	397	-	1,283

16.1 Early departure costs

The Department meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Department provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments, discounted by the Pensions discount rate of 2.35 per cent (2.8 per cent 2011-12) in real terms when material. It is expected that early departure payments will be incurred through to 2017-18.

16.2 Leasehold property dilapidations

The obligations under the SFO's property leases require the properties to be returned to the landlords in an appropriate condition. A provision has, therefore, been established for the estimated costs of restoring the properties from use for SFO purposes to a state specified within the property leases. The property leases expire in March 2017

16.3 Legal costs

The legal costs provision reflects all known legal claims where legal advice indicates that it is more than 50 percent probable that the claim will be successful and the amount of the claim can be reliably estimated. Expenditure on legal claims is likely to be incurred within one year.

17 Capital commitments and other commitments

17.1 Capital commitments

The department has no contracted capital commitments (2011-12 £nil)

17.2 Commitments under leases

17.2.1 Operating leases

Total future minimum lease payments under operating leases are given in the table below, for each of the following periods.

	2012-13 £000	2011-12 £000
Obligations under operating leases comprise:		
Buildings:		
Not later than 1 year	1,237	2,345
Later than 1 year and not later than 5 years	3,689	4,703
Later than 5 years	-	-
	4,926	7,048
Other:		
Not later than 1 year	72	126
Later than 1 year and not later than 5 years	264	270
Later than 5 years	-	-
	336	396

The SFO entered into a Memorandum of Terms of Occupation (MOTO) with the Department for Culture, Media and Sport for use and occupy space at 2-4 Cockspur Street from 1st October 2012 to 25 March 2017. The SFO entered into one five year contract on 27 November 2012 for the provision of reprographic equipment and a further two on 1st December 2012.

18 Other Financial Commitments

The Department has not entered into any non-cancellable contracts which are not leases, PFI contracts or other service concession arrangements.

19 Financial instruments

As the cash requirements of the Department are met through the Estimates process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the expected purchase and usage requirements and the Department are therefore not exposed to significant credit, liquidity or market risk.

The Department has very limited powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the entities in undertaking its activities.

Interest rate risk

The financial liabilities of the department carry nil or fixed rates of interest. The entities, therefore, are not exposed to significant interest rate risk.

Currency risk

The Department is not exposed to any significant foreign currency risks.

20 Contingent liabilities disclosed under IAS37

The SFO has contingent liabilities where the possibility of the liability crystallising is judged to be possible. Unless otherwise stated, the quantum of the liability can either not be determined with reasonable certainty or to quantify it would jeopardise the outcome of the case.

Following a successful judicial review of certain action brought in 2011 by the SFO against them, Vincent and Robert Tchenguiz and various business entities associated with them (“the claimants”) have brought civil proceedings against the SFO with a view to obtaining substantial damages. The claimants are seeking about £300 million on the back of a variety of torts they allege the SFO committed during its criminal investigation into the collapse of the Icelandic bank, Kaupthing hf. The SFO wishes to deny all liability and is working closely with a firm of City solicitors, Slaughter & May, and a team of experienced counsel to defend these claims. A preliminary hearing has taken place to determine whether or not the SFO is able to withdraw from an earlier admission of liability for the tort of trespass and we await the judge’s ruling. The trial on all disputed issues is scheduled to take place in the summer of 2014. The SFO will incur considerable costs in preparation for, and during, that trial.

The decision was taken by the new Director and CFO following their appointment and upon consideration on how guidance supplied by HMRC for the treatment of professional services under the Contracting out Direction refund mechanism had been interpreted by the previous senior management team. Discussions are currently ongoing between the department and HMRC regarding the impact of this change on previous years. The SFO’s senior management will work closely with HMRC to ensure that this change is not backdated to previous years and remains confident that this should not be necessary due to the current Director’s and CFO’s actions to correct an historical mistreatment under the previous senior management..

21 Contingent Liabilities not required be disclosing under IAS 37 but included for parliamentary reporting and accountability purposes

21 (a) Quantifiable

A provision of £302k for Worthington Nicholls Group previously raised in 2011-12 has been removed as no cost order is in place for the department to pay costs. We are of the opinion that there are no grounds for the SFO to be held in serious default therefore the likelihood of any liability arising is considered to be remote

22 Losses and special payments

22 (a) Losses statement

There were no losses during the period which in aggregate exceeded £250,000.

22 (b) Special payments

The Department made a total of 10 special payments during the year amounting to £3,655k

Details of payments over £250,000

£2,897k payment for Tchenguiz

£396k payment on account Zibordi

The payment for Tchenguiz was for the settlement of the judicial review costs.

The payment for Zibordi was a payment on account to reduce the amount of interest that will be due when the case is settled,

23 Related-party transactions

The SFO has had a small number of transactions with other government departments and other central government bodies.

24 Third party assets

The Department manages a small number of sterling interest-bearing accounts containing seized monies. These are not departmental assets but are held as part of the Department's law enforcement activities and, as such, do not form part of these accounts. Once legal proceedings have been completed any seized cash is forfeited to the Home Office, confiscated by the court or, if the defendant is found not guilty, returned.

The assets held at the reporting date to which it was practical to ascribe monetary values comprised monetary assets such as bank balances and monies on deposit. The balance held at 31 March 2013 was £367k (11-12 £243k).

25 Events after the reporting period

There are no additional reportable events not already covered elsewhere in these accounts. The financial statements were authorised for issue on the date they were certified by the Comptroller and Auditor General.

Sustainability Report

Greening Government Commitments

The Serious Fraud Office is committed to government policy to improve sustainability and is working towards meeting the Greening Government Commitment (GGC) targets which started on 1 April 2011 with a baseline period of 2009/10.

Summary of performance

The GGC targets aim to reduce environmental impact by 2015, with a series of measures to:

- Reduce greenhouse gas emissions from a 09/10 baseline from the whole estate and business related transport:
- Reduce waste generated by 25% from a 09/10 baseline:
- Reduce water consumption from a 09/10 baseline:
- Ensure procurement of sustainable and efficient products whilst reducing the impact of the supply chain.

The SFO's results for 2012-13

Area		2012-13 Performance	
		Actual	Target
Greenhouse Gas emissions (Scopes 1, 2 & 3 business travel including air and rail travel)		1,031	1,341
Estate Energy	Consumption	2,435k kWh	-
	Expenditure	£218k	-
Estate Waste	Amount	136 tonnes	63 tonnes
	Expenditure	£54k	-
Estate Water	Consumption	5,747m ³	4,467m ³
	Expenditure	£6k	-

The results show that we continue to be ahead of our target for Greenhouse Gas emissions whilst Estate Waste and Water are behind target.

2012-13 was a significant year for the SFO where we relocated the whole organisation from two sites covering 6,612 m² of office space to a single site in a shared building with 3,196 m² of office space in Cockspur Street in November 2012 thereby reducing the size of our estate by over 50%. This had an immediate impact on our energy and water consumption in the fourth quarter. Of course the clearance of our old estate produced substantial amounts of waste which will be detailed under the waste section of this report.

Over the remaining years to 2014-15 the move to our new accommodation is however expected to ensure that by the final reporting year of the performance period, all three GGC targets will have been met as the accommodation sourced is not only smaller in area than our old estate but also more efficient in terms of its utilisation of energy, waste and water.

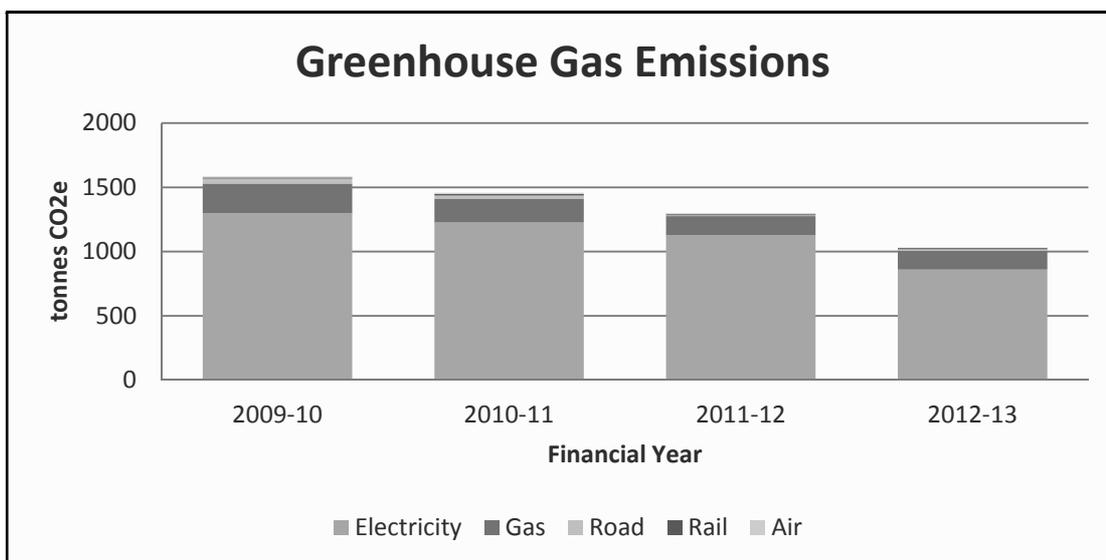
Greenhouse gas emissions

There are three different classifications of greenhouse emissions, known as Scopes:

Scope 1: Direct emissions occurring from sources owned or controlled by the department, for example, emissions from combustible boilers and from fleet vehicles.

Scope 2: Indirect emissions occurring from electricity consumed which is supplied by another party.

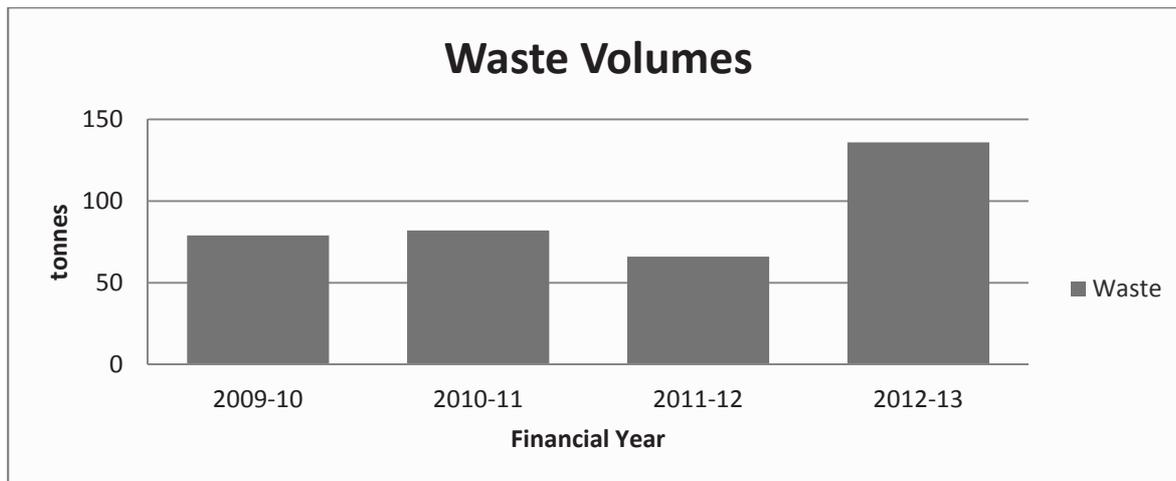
Scope 3: Other indirect emissions. All other emissions which occur as a consequence of our activity but which are not owned or controlled by the department. For example emissions as a result of staff travel on public transport, taxis or airline flights.



Greenhouse Gas Emissions		2009-10	2010-11	2011-12	2012-13
Non-financial indicators (tCO ₂ e)	Total Gross Emissions for Scopes 1 & 2	1,529	1,413	1,277	1,006
	Total Net Emission for Scopes 1 & 2	1,529	1,413	1,277	1,006
	Gross Emissions Scope 3 Business Travel	50	44	22	25
Related Energy Consumption (kWh,000s)	Electricity: Non Renewable	2,220	2,100	2,002	1,414
	Electricity: Renewable	166	154	146	72
	Gas	1,254	1,014	813	795
Financial Indicators (£k)	Expenditure on Energy	309	218	215	218
	CRC Licence Expenditure	0	4	3	0.07
	Expenditure on Accredited Offsets	0	0	0	0
	Expenditure on Official Business Travel	303	328	130	115

The target is to reduce greenhouse gas emissions from a 2009-10 baseline by 25% from the whole estate and business related transport by 2014-15. The SFO is on track to achieve this having already reduced emissions by 35% against the 2009-10 baseline. Along with the move to much smaller premises the SFO has introduced Multi-functional Devices (MFDs) on our new estate. Our old estate was served by c.100 printers plus a number of photocopiers and fax machines. In our new estate, all this equipment has been replaced by the use of just 16 MFDs which will have a major impact on energy consumption in Cockspur Street in the future.

Waste



			2009-10	2010-11	2011-12	2012-13
Weight (t)	Non Hazardous Waste	Landfill	40	38	22	35
		Reused/Recycled	39	44	39	82
		Incinerated/Energy from waste	0	0	6	19
Cost (£k)	Non Hazardous Waste	Landfill	18	15	11	12
		Reused/Recycled	31	20	19	32
		Incinerated/Energy from waste	0	0	0	0

The target is to reduce waste generated by 25% from a 2009-10 baseline by 2014-15 and indeed progress was being made towards this target. In 2011-12 waste figures were down 16% on the baseline. However the clearance of our old estate did generate a large amount of waste (80 tonnes) as follows:

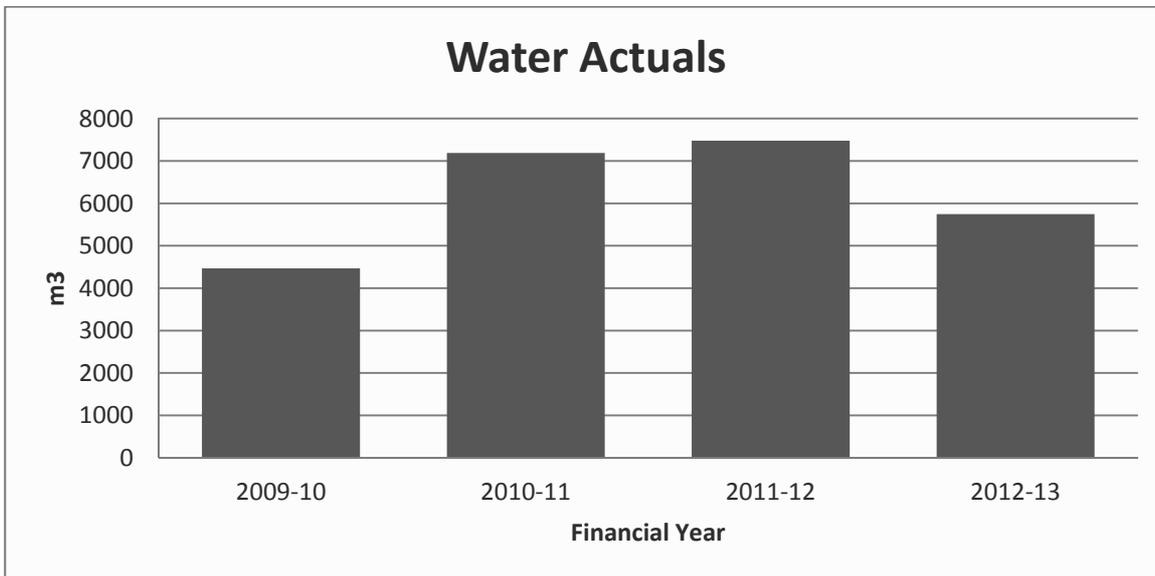
General Waste:	16 Tonnes
Wood (mainly desk tops)	19 Tonnes
Metal (mainly desk bases and pedestals)	37 Tonnes
Furniture (Reused or donated)	8 Tonnes

For the clearance of our old estate the SFO engaged the services of a removal company who are ISO 14001 accredited. With the general waste (made up of paper, plastic and cardboard) this waste was separated at their recycling centre and then removed by a specialist contractor to be recycled. Similarly all the metal collected was recycled by a specialist contractor.

The wood (mainly desk tops) was sent to a wood recycling plant where it was mulched down to be used as fuel in a bio masher heating system.

Now that we have gone through the process of moving and disposing of all our general waste and surplus furniture our waste figures going forward for 2014-15 will be considerably less.

Water



Finite Resource Consumption		2009-10	2010-11	2011-12	2012-13
Non-financial indicators (m ³)	Water Consumption	4,467	7,187	7,476	5,747
Financial Indicators (£k)	Water Supply Costs	3	5	6	6

The Greening Government target is to ensure that water consumption is reduced over the period 2009-10 to 2014-15 although no specific target has been set for this, unlike waste and greenhouse gas emissions. As stated previously, the move to much smaller more efficient premises has already had an impact on water consumption in the last quarter of 2012-13 and will continue to do so in the future.

Paper Use

Paper use in the SFO has reduced on 2009-10 baseline figures (14,791 A4 Reams) to 12,361 A4 Reams for 2011-12. The target is 12,573 A4 Reams for 12/13 – actual 4,771. Our paper consumption should continue to reduce as “paperless” office technology increases e.g. “autonomy” (digital case management system) and the electronic presentation of evidence.

Domestic Flights

The number of domestic flights taken by SFO staff on official business has fallen from 2009-10 baseline (99) to 90 for 2011-12. The target for 2012-13 was set at 87 and in 2012 -13, 42 domestic flights were taken.

Procurement

The SFO makes use of mandated centralised framework contracts where appropriate, that embed the Government Buying Standards (GBS) within them. However, if there are no centralised contracts available then any contract entered into will meet the GBS requirements.

Governance

The Solicitor General represents the Law Officers' Departments (LODs) on Sustainable Development matters. The minister is supported by the LOD Sustainable Development Steering Group chaired by the Crown Prosecution Service (CPS) Finance Director. The SFO is a member of this group. The CPS is the Secretariat to this Group and represents the LODs on any relevant Sustainable Development committees.

Our results against the GGC targets will be reported annually.

Transparency Commitments

The following areas applied to the SFO in 2012 -13:

- ***Climate Change Adaptation***

The SFO has a Business Continuity Plan that was fully tested during our move. We will be updating this plan for our new estate during the summer. We will be able to invoke this plan if required in response to the impact of any climate change either nationally or globally.

- ***Sustainable construction and People***

Minor works were carried out for our occupation of Cockspur Street. This work was necessary to organise the floor plates for our business operation. The work did not meet the criteria needed for a Building Research Establishment (BRE) Environmental Assessment Method for buildings (BREEAM) however the work was completed to the "very good" standard by the contractors.

An impact assessment for the relocation of our staff was conducted locally by line managers and issues were addressed with the assistance of our Human Resources Department.

Notes:

1. *The 2011 Defra conversion figures have been used to calculate tco2 emissions.*
2. *Estimates have been used in some instances where complete data were not available from suppliers or service providers.*



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

Email: customer.services@tso.co.uk

Textphone: 0870 240 3701

The Houses of Parliament Shop

12 Bridge Street, Parliament Square

London SW1A 2JX

Telephone orders: 020 7219 3890/General enquiries: 020 7219 3890

Fax orders: 020 7219 3866

Email: shop@parliament.uk

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

TSO@Blackwell and other accredited agents

ISBN 978-0-10-298475-0



9 780102 984750