

Revenue and Customs Prosecutions Office

Resource Accounts 2007-08

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(For the year ended 31 March 2008)

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Annual Report

Introduction

These accounts relate to the operation of the Revenue and Customs Prosecutions Office (RCPO) for the period 1 April 2007 to 31 March 2008. They have been prepared on an accruals basis in accordance with the Government Resources and Accounts Act 2000 and HM Treasury's Financial Reporting Manual.

Nature of RCPO's functions

RCPO is one of the Law Officers' Departments, alongside the Attorney General's Office (AGO), the Crown Prosecution Service (CPS), HM Crown Prosecution Service Inspectorate (HMCPPI), the Serious Fraud Office (SFO) and the Treasury Solicitor's Department (TSD). The Law Officers are the Attorney General and the Solicitor General.

The Department was established by the Commissioners for Revenue and Customs Act 2005 as a specialist and independent government department that receives supply funding from Parliament. RCPO is responsible for carrying out criminal prosecutions for HMRC and SOCA.

RCPO is a major Crown Court prosecutor. In addition, it prosecutes a large number of cases in the magistrates' courts. RCPO's prosecutions include many large and complex cases. The full remit of casework covers a wide range including:

- VAT fraud – from the simplest repayment fraud to complex cases involving multiple traders;
- Direct tax fraud – from large and sophisticated evasion cases on an international scale to less complex shadow economy fraud;
- Tax credit fraud;
- Excise fraud – tobacco, alcohol and fuels;
- Drug smuggling of all kinds, from those carrying goods on or in their person to massive quantities of Class A drugs smuggled by air or sea;
- Money laundering – generally involving the proceeds of fraud or drugs trafficking;
- UN sanctions cases – these usually involve exports to embargoed destinations or export of military or dual use goods;
- Exotic goods – from conflict diamonds to trafficking in endangered species governed by the Convention on International Trade in Endangered Species (CITES);
- National Minimum Wage; and
- Restraint, confiscation and enforcement proceedings undertaken by the Asset Forfeiture Division.

RCPO is also involved in a range of initiatives in the Criminal Justice System (CJS), contributing to debate, consultation and policy development.

Departmental Governance and Organisation

David Green QC, as Director and Accounting Officer of RCPO, is accountable to the Attorney General and responsible for the management of RCPO. He is supported in delivering his responsibilities by the RCPO Board.

RCPO Board

The Board sets the Department's strategic goals and oversees the achievement of RCPO's objectives. It also ensures that RCPO runs efficiently and effectively and achieves value for money for the taxpayer. The Board sat nine times in the year. Membership of the Board is as follows:

David Green QC	Director, Chair
David Richardson	Chief Operating Officer (from 1 April 2008. Head of Division C to 10 April 2007. Head of Division A from 11 April 2007 to 31 March 2008)
Bertie Pinchera	Interim Chief Operating Officer (from 2 July 2007 to 31 March 2008)
Dave Partridge	Chief Operating Officer (to 20 August 2007)
Justin Freebairn	Head of Finance
Alun Milford	Head of Asset Forfeiture
Annewen Rowe	Head of IPAD (from 10 March 2008)
Kristin Jones	Head of IPAD (to 9 March 2008)
Bruce Butler	Head of Division A (to 11 April 2007)
Matthew Wagstaff	Head of Division B
Bill Wheeldon	Head of Division C (from 10 April 2007)
Elizabeth Bailey	Head of Division D
Gregor McGill	Head of Division E

In addition, there were two Non-Executive Directors on the RCPO Board throughout 2007-08, Sarah Brown and Paul White. Two additional Non-Executive Directors, Claire Dodgson and Steven Redmond, were appointed in January 2008.

Details of the remuneration of the Board are set out in the Remuneration Report.

Directorships and other significant interests

None of RCPO's Board members hold any company directorships or significant interests that conflict with their management responsibilities.

Audit Committee

The Audit Committee's role is to advise the Accounting Officer and the Board on the adequacy of internal controls, corporate governance, risk management, financial reporting and audit arrangements. From January 2008, the Audit Committee comprises all Non-Executive Board members, one of whom serves as the Chair.

The Audit Committee sits at least every quarter, and in 2007-08 it met six times. It has overseen the development of the risk registers and addresses the management of risk at each meeting. The Committee also considers the accounts and reports from both external and internal auditors. It commissions other work as it deems necessary to provide an assurance to the RCPO Board on governance, internal control and risk issues. It also oversees health and safety issues.

Other Committees

The RCPO Board is also supported by the following committees:

- Operations Committee and Corporate Services Committee – these committees ensure that RCPO delivers high quality services to the wider Criminal Justice System and has the necessary casework and corporate systems in place to achieve its objectives;
- Equality and Diversity Committee – ensures that RCPO's staff enjoy a workplace where each individual is valued and does not suffer from discrimination. It also implements measures to ensure that the Department's work is free from bias; and
- Change Programme Committee – ensures that the Department's major projects are properly managed and are delivered in time and within budget.

Organisation of the Department

The Attorney General appointed David Green QC as the Director of RCPO in December 2004, with responsibility for leading the Department's prosecution activity, managing all legal issues, and determining policy. The appointment, which was initially until December 2007, has been extended for a further 2 years until December 2009. The Director heads an organisation of approximately 297 permanent staff (on a full-time equivalent basis) which includes lawyers, caseworkers and administrators, who are based in London and Manchester.

There are six operational divisions reporting to the Director. Each division has a lead activity, although A-D are multifunctional. They are:

- Division A (Direct Tax)
- Division B (Commercial)
- Division C (Border Detections)
- Division D (Duty and Excise)
- Division E (Serious Organised Crime)
- Asset Forfeiture Division (Restraint and Seizure of Criminal Assets)

Also reporting to the Director is the Head of International, Policy and Advisory Division, who provides him with support on policy and internal quality assurance, and the Chief Operating Officer who is responsible for Finance, HR, IT, accommodation and other corporate services.

Departmental and Annual Reports

The Law Officers' Departments' Departmental Report 2008 contains information about RCPO additional to that shown in these accounts. It sets out the Department's current year performance and future plans over the Public Expenditure Period to 2008/09, and was published in May 2008 (House of Commons CM 7406).

RCPO publishes Annual Reports in accordance with the requirements of Schedule 3 of the Commissioners for Revenue and Customs Act 2005 and the Reports contain information on the full range of RCPO's work as well as a number of case studies. The 2007-08 Annual Report was published

on 17 July 2008. Additionally, the RCPO Business Plan 2008 sets out the Department's work programme for the period 2008-11. Both of these documents are available on the RCPO website at www.rcpo.gov.uk.

RCPO's spending plans were set out in HM Treasury's Main Estimate 2007-08 (pages 301 to 312), and in HM Treasury's Spring Supplementary Estimate 2007-08 (pages 257 to 268). Both of these documents are available on the HM Treasury website at www.hm-treasury.gov.uk.

Pensions

Details of RCPO's pension arrangements are included in the Remuneration Report and in the notes to these accounts.

Provision of information and consultation with employees

RCPO staff are kept up to date on operational and organisational matters in a number of ways including the intranet, which also serves as an electronic library for legal guidance, internal policy and procedural documents, and the publication of a regular newsletter which contains key news from across the business with particular emphasis on the Department's core activity. It was launched just over a year ago and has been very well received by staff. RCPO continues to engage with trade union representatives and is considering complementing union arrangements with a consultative staff forum. The Department undertakes a bi-annual staff opinion survey, in which staff are asked for feedback on their thoughts and feelings about working for the Department. As a result of the 2007 survey, improvements have been made to the process of consulting and engaging staff. Meetings are now held twice a year where the Director, Chief Operating Officer and other senior managers address all staff. In addition, a bi-monthly open forum has been introduced where staff have the opportunity to raise and discuss any business issues with the Director, Chief Operating Officer and Division Heads.

The development of a new three-year communications strategy and implementation plan commenced in 2007/08, with support from the Central Office of Information Strategic Communications Unit. Investment in this programme will strengthen significantly the Department's communications capability and focus resources towards the achievement of RCPO's stated goals. The project includes a focus on internal communications and employee engagement.

Equality and Diversity

RCPO is committed to equal opportunities in all areas of employment. It aims to treat all staff fairly, with dignity and respect regardless of any factor which is unrelated to their performance in their current or future role. Policies are in place to ensure that no job applicant or member of staff receives less favourable treatment on grounds of gender, gender reassignment, age, marital status, race, ethnic background, colour, nationality, disability, religion or belief, sexual orientation, or any other irrelevant factor. This is in line with Civil Service policy statements, United Kingdom legislation on equality of opportunity and pay, and European Union law.

Diversity is also fundamental to the way in which RCPO carries out prosecutions and other aspects of its business. RCPO policies and functions are being subjected to Equality Impact Assessments to ensure that there is no unlawful discrimination against different groups. As part of the Equality Impact Assessment process RCPO will consult with all those that have an interest, including minority groups. RCPO continues to work to develop better links with stakeholders to inform the Department's policies and actions.

RCPO is a member of the Attorney General's Equality and Diversity Advisory Group; has an active Equality and Diversity Committee and has published its Equality Scheme, Diversity Statement and Equality Action Plan on the internet. The membership of the Equality and Diversity Committee has recently been amended to reflect its new focus on taking forward and delivering the requirements of the Equality Action Plan. The Committee has been further strengthened by becoming part of the Department's formal corporate governance structure reporting to the Board. The former Committee

is being retained as an Equality and Diversity consultative forum with members being consulted over such issues as the outcomes of the Equality Impact Assessments.

A dedicated staff resource reporting directly to the Equality and Diversity Committee has been in post from March 2008.

The staff survey conducted in 2007 included questions on equality and diversity and the responses to these have been used to inform the Committee's future direction and focus.

Employment of disabled persons

The policy statement above affirms RCPO's commitment to equality of opportunity in employment and ensuring that diversity is fundamental to the way in which RCPO carries out its prosecutions and other areas of business. In particular, the Department is aware of the General Duty under the Disability Discrimination Act 2005 and has incorporated its statutory duty into its Equality Scheme.

The Department has policies in place to prevent unfair discrimination against staff or eligible applicants for posts on any grounds, including disability.

RCPO has a culture of inclusiveness and is working towards removing barriers and promoting positive attitudes to achieve full diversity. The Department's commitment to ensuring equal opportunities for all is demonstrated by the fact that accreditation with the Positive About Disabled People Two Ticks symbol is being obtained.

Sustainable Development

The Department will work with the other Law Officers' Departments to continuously improve its performance against the government's sustainable development targets. The Department will work more closely with Her Majesty's Revenue and Customs (HMRC) who will continue to act as RCPO's estates service provider up until at least the end of 2011.

In order to increase recycling, reduce waste and limit its overall impact on the environment the Department will be collaborating with the other government departments and private enterprises that it shares the estate with in London, to jointly implement recycling schemes.

The expiration of the Department's lease on the Manchester office in March 2010 will allow it to consider options for moving to more modern, energy efficient premises.

These measures will ensure that the Department contributes to the government's sustainable development targets, including:

- 10% reduction in transport related CO2 emissions;
- Reduction of waste arising by 1%;
- Increase recycling to a rate of 5% of total waste arising;
- 15% reduction in energy usage;
- Procurement of 10% of energy from renewable sources;
- All new builds and major refurbishments to consider sustainability; and
- Introduction and maintenance of robust reporting and verification processes.

Payment of suppliers

RCPO aims to pay all bills in accordance with agreed contractual conditions, or where no such conditions exist, within 30 days of receipt of goods and services or receipt of a valid invoice, whichever is the latter. On average, 86% of bills were paid within terms, from April 2007 to March 2008. This is a significant improvement on the previous year and reflects further improvements in communication and clarity regarding counsel fees. Development of IT systems, including the introduction of digital scanning, will enable RCPO to make further progress towards achieving its target of 100% of undisputed invoices paid within 30 days of receipt in 2008-09.

Auditors

The Comptroller and Auditor General is the external auditor for RCPO. The notional external audit fee for 2007-08 was £68,000 (2006-07: £72,000). The reduced fee reflects the improvements made by RCPO in producing robust and timely accounts. No further assurance or advisory services were provided by the external auditors. RCPO incurred £45,452 (excluding VAT) of actual audit cost for internal audit work carried out by HMRC's internal auditors.

As far as the Accounting Officer is aware, there is no relevant audit information of which the Department's auditors are unaware, and the Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that RCPO's auditors are aware of that information.

Management Commentary

RCPO's Annual Report for 2007-08 is published together with these accounts. Accordingly, this Commentary contains a summarised version of the fuller document. Additional information about the work of RCPO in 2007-08 including information on environmental matters and social and community issues is contained in the Law Officers' Departments' Departmental Report 2008 (Cm 7406). RCPO's Value for Money Delivery Agreement and Business Plan for 2008-11 contain further material relating to its efficiency commitments over the 2007 Comprehensive Spending Review period and its objectives and delivery plans for the next three years, respectively.

There were no significant changes in the Department's objectives and activities, its investment strategy and its long term liabilities that had financing implications during the year.

Aim and Objectives

RCPO's aim is to be an effective, independent and specialist prosecuting authority that commands public confidence. RCPO will promote the interests of witnesses and victims of crime.

RCPO's objectives are:

- To prosecute cases efficiently, effectively and in accordance with the Code for Crown Prosecutors;
- To increase, year on year, the amount confiscated from criminals;
- To engage actively with HMRC and the Serious Organised Crime Agency (SOCA) to ensure that appropriate weight is given to prosecution;
- To maintain and develop an appropriate specialist caseload;
- To provide a rewarding and stimulating working environment in which our staff can develop and excel;
- To make an effective contribution to the objectives of the AGO and the wider CJS.

Casework

RCPO operates from London and Manchester conducting a range of specialist work from income tax and VAT fraud, excise and duty fraud on oils, tobacco and alcohol, to money laundering and drugs. Drug smuggling accounts for half of all cases.

Case complexity varies from a straightforward prosecution in a magistrate's court to major tax and drugs cases which might involve many defendants and criminal activity spanning several years.

RCPO works closely with HMRC and SOCA investigators. From the very earliest stages of an operation RCPO advises on lines of enquiry, potential suspects, the gathering of evidence overseas, the use of coercive and other investigatory powers, restraint of assets and disclosure.

SOCA

RCPO has a dedicated division for the servicing of SOCA work, and conducts the vast bulk of drug importation and money laundering casework coming from the Agency. SOCA's operations are intelligence-led, and RCPO prosecutors are involved from the tasking and coordination phase, providing advice that will shape the investigation and assist in identifying an outcome that is most effective in the reduction of the harm caused by serious organised crime. Under current arrangements the Department provides a service 24 hours a day for 365 days of the year to SOCA, and it will ensure that its SOCA Division continues to be resourced appropriately.

Asset Forfeiture

Asset Forfeiture Division (AFD) is responsible for the conduct of all of RCPO's restraint and receivership casework and, once a confiscation order has been obtained, its enforcement casework. AFD also deals with confiscation casework where it is substantial or complex. AFD advises HMRC and SOCA officers in relation to the conduct of financial investigations and also influences the development of confiscation law by dealing with all appeals in respect of its confiscation order cases. It is responding to increased demand for mutual legal assistance, which involves preserving assets so that they can be used to pay confiscation orders in overseas jurisdictions, and enforcing confiscation orders made overseas against assets located in the UK. Under the Asset Recovery Incentivisation Scheme (ARIS) RCPO is able to keep one-sixth of the assets it recovers to fund its asset forfeiture activity. In order to expand the work of the AFD and meet its target for confiscation, RCPO increased legal and support staff numbers during 2007-08.

Policy Development

RCPO is involved in a range of initiatives in the criminal justice system, contributing to debate, consultation and policy development. These include playing a part in the work of external bodies such as the Whitehall Prosecutors' Group, the Criminal Procedure Rule Committee, the Confiscation Performance and Delivery Board, Asset Recovery Working Group and the High Cost Cases Review Board. International Policy and Advisory Division (IPAD) supports the Director in identifying key strategic legal policy issues, and it also provides advice and guidance to staff on issues concerning casework policy on domestic and international matters, particularly with regard to new legislation.

Information Technology

RCPO successfully implemented a new IT and telephony service in September 2007 following a successful procurement exercise in April 2007. The new contract has resulted in the provision of a modern, flexible IT service that better meets the needs of RCPO and which represents greater value for money, thus contributing to the achievement of the Department's efficiency savings target.

Accommodation

RCPO refurbished the third floor of the London office, in order to accommodate the enlarged AFD team and to ensure that the general improved standard of the working environment was maintained. Dedicated areas have been provided for prosecutor charging, the electronic preparation of evidence, and for the new IT services provider. Further improvements included the creation of a reception area in the London office and the establishment of a central switchboard service. Refurbishment of the Manchester office to a similar standard was completed in spring 2008.

Management information

Continued progress has been made in the development of new management information systems. These will enable the Department to monitor its performance more effectively and to make optimal use of the resources available to it. As part of the improvements in performance management, the Department continues to develop Key Performance Indicators which are linked directly to RCPO's objectives.

Case management system

Work to replace RCPO's existing case management application, SOLAR, was initiated towards the end of the financial year. It is anticipated that more advanced information technology will enable cases to be progressed more efficiently, augment the monthly casework reports submitted to the Board, and assist performance management and business planning. The review and definition of management information and reporting requirements will be central to the development of the new system and will ensure that the Department's case-related statistics are available from a single source.

Electronic preparation and presentation of evidence

RCPO participates fully in the electronic preparation and presentation of evidence programme that is being taken forward across the Criminal Justice System. This programme aims to develop an ability to prepare and present digital evidence for trial hearings in high cost cases that are scheduled to take 26 days or more in trial time. It is estimated that these cases absorb over 20% of costs in the Crown Court but constitute less than 0.5% of cases. Electronic presentation enables evidence to be made available in court in a format that is quicker to present and easier to understand.

Finance

The Finance function has continued to strengthen key accounting systems and processes, and raised the general level of financial awareness in the organisation. During 2007-08 financial management of counsel fees was improved, with a far greater proportion of fee notes submitted promptly by chambers, while payment performance was sustained at a consistently higher rate than RCPO or its predecessors had previously achieved.

Human Resources

RCPO has continued to strengthen its HR function and to review underpinning policies and processes. Performance management has been strengthened through the development of enhanced appraisal arrangements, and by support, guidance and training for managers on all aspects of performance management. As part of a shared initiative with other Law Officers' Departments, RCPO has implemented an integrated HR database and payroll system. This has enabled improved information and record keeping, streamlined processes, improved efficiency and the introduction of regular management reporting.

Personal data related incidents

RCPO formally reported no data related incidents to the Information Commissioner's Office in 2007/08.

The Department will continue to monitor and assess its information risks in order to identify and address any weaknesses and ensure continuous improvement of its systems.

During 2008/09 the Department will continue to implement the latest government data security standards. The Department will also continue to work with its service delivery partners in order to ensure that they also adhere to the necessary guidelines and that the risk of loss of personal data is minimised.

Financial Commentary

Introduction

RCPO's voted expenditure for 2007/08 was £39.23 million. Of this total it transferred £0.32 million to the Attorney General's Office bringing the final resource departmental expenditure limit to £38.91 million. Against voted expenditure the net resource outturn for the year was £31.02 million creating a resource surplus of £7.89 million and a cash surplus of £7.02 million.

RCPO's Operating Cost Statement is reproduced below and is followed by notes on each of the headings:

	<u>2007-08</u>	<u>2006-07</u>
	£000	£000
Income		
Operating income	(3,495)	(4,263)
Expenditure		
Staff costs	14,032	12,205
Other administration costs	7,656	6,660
Programme costs	12,823	17,404
Total expenditure	<u>34,511</u>	<u>36,269</u>
Net Operating Cost	<u>31,016</u>	<u>32,006</u>

- Operating income was £3.49 million in 2007/08 against an estimate of £3.55 million. This was a reduction of 18% on the prior year income of £4.26 million. The majority of income was generated from the recovery of £20.17 million worth of criminal assets through confiscation orders. Under the Asset Recovery Incentivisation Scheme (ARIS) RCPO is able to retain one sixth (16.67%) of all the assets it recovers.
- The main elements of RCPO's expenditure in 2007/08 were staff costs (40.7%) and programme costs (37.2%).
- The increase in staff costs of £1.83 million (15%) followed a rise of 16.6% in the number of full time equivalents from 277 in 2006/07 to 323 in 2007/08. The majority of these additional staff were recruited to expand RCPO's work on the recovery of criminal assets. Also in year, five HMRC staff that provided printing, portering and photocopying services were transferred to RCPO under TUPE regulations.
- Other administration costs rose from £6.7 million in 2006/07 to £7.7 million in 2007/08, an increase of 14.9%. The main reasons for this were rent for additional office accommodation in London and new depreciation costs.
- The outturn for counsel fees (which makes up 88.9% of all programme costs) and other direct case costs was £12.82 million, in comparison to £17.4 million in the prior year, a decrease of £4.58 million (26.3%). This was due to a reduction in the number of very complex cases and the impact of a new system to manage counsel fees introduced in September 2006.

RCPO's Balance Sheet is reproduced below and is followed by notes on each of the headings:

	<u>2007-08</u>	<u>2006-07</u>
	£000	£000
Fixed Assets		
Tangible assets	1,656	–
Intangible assets	28	–
	<u>1,684</u>	<u>–</u>
Current Assets		
Debtors	2,055	2,053
Cash at bank	916	1,556
	<u>2,971</u>	<u>3,609</u>
Creditors (due within one year)	(7,061)	(8,082)
Net current assets	<u>(4,090)</u>	<u>(4,473)</u>
Net assets	<u>(2,406)</u>	<u>(4,473)</u>
Taxpayers' Equity		
General Fund	<u>(2,406)</u>	<u>(4,473)</u>

- RCPO acquired its first fixed assets during 2007/08, with £1.01 million spent on new IT hardware as part of the change of IT service provider, £0.9 million spent on the refurbishment of RCPO's office facilities and £0.03 million on IT software. Depreciation charges of £0.26 million in the year relating to these assets resulted in a fixed asset value of £1.68 million at the end of the financial year.
- There was no significant change in Debtors year on year. The balance of £2.05 million at the end of 2007/08 represents income from the Asset Recovery Incentivisation Scheme (ARIS) due for Quarter 4 of 2007/08 and a VAT debtor.
- RCPO had a positive bank balance of £0.92 million as at 31 March 2008. The actual bank balance at the end of 2006/07 was £1.08 million, consisting of £1.56 million disclosed under current assets less £0.48 million reported in creditors as an overdraft.
- Current liabilities included programme cost accruals of £2.68 million, administration accruals of £1.21 million, payroll creditor relating to March payroll of £1.25 million and trade creditors of £1.0 million. The reduction in the current liabilities balance year on year can be explained by a £0.66 million reduction in counsel fee accruals and creditors, consistent with a reduction in the level of expenditure, the elimination of the overdraft of £0.48 million at the end of 2006/07, and a reduction of £0.91 million in amounts due to the consolidated fund. These reductions have been partially offset by an increase of £0.83 million in accruals in relation to administration costs.

Accounting Boundary

RCPO does not exercise in-year budgetary control over any other public or private body. It is a single entity department whose entire operations are within the accounting boundary reflected in these accounts.

Going concern

The balance sheet at 31 March 2008 shows a negative Taxpayers' Equity of £2.41 million. This reflects the inclusion of liabilities falling due in future years, which are to be financed by drawings from the UK Consolidated Fund. Such drawings will be from grants of Supply approved annually by Parliament to meet RCPO's Net Cash Requirement. Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund other than required for the service of the specified year or retained in excess of that needed. All unspent monies, including those derived from RCPO's income, are surrenderable to the Fund.

RCPO's balance sheet position does not indicate insolvency. In line with other government departments, the future financing of RCPO's liabilities is to be met by future grants of Supply and the application of future income, both to be approved annually by Parliament. Such approval for amounts required for 2008/09 has already been given. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	<u>2007-08</u>	<u>2006-07</u>
	£000	£000
Net Resource Outturn (Estimates)	31,016	34,531
Adjustments to additionally include:		
Non-voted expenditure in the OCS	-	1,762
Consolidated Fund Extra Receipts in the OCS	-	(763)
Other adjustments	-	-
Net Operating Cost (Accounts)	31,016	32,006
Adjustments to additionally include:		
Other Consolidated Fund Extra Receipts	-	-
Unallocated resource provision	-	-
Other adjustments	-	-
Resource Budget Outturn (Budget) of which		
Departmental Expenditure Limits (DEL)	31,016	32,006
Annually Managed Expenditure (AME)	-	-

Explanation for variation between Actuals, Budget and Estimates

As shown above there were no reconciling items for the year 2007-08 between net resource outturn, net operating cost and resource budget outturn. However, RCPO's net resource outturn of £31.02 million was £7.89 million below the Estimate of £38.91 million. This surplus was caused principally by low expenditure on counsel fees where a fall in 2007-08 to £11.4 million continued the trend of previous years. By way of comparison expenditure on counsel fees was £20.05 million in 2004/05. The drivers for this decline are a reduction in the number of RCPO's most complex cases and savings generated following the introduction of new arrangements for agreeing hours with counsel and standardised rates in September 2006.

Income from ARIS offsets the costs of asset forfeiture and is apportioned between Administration and Programme where these costs are incurred. Accordingly, of the operating income of £3.49 million, £1.35 million was offset against Administration costs with the remaining £2.14 million being offset against Programme costs. This has the effect of reducing the gross cost of Administration and Programme activities on the Operating Cost Statement.

Change to Resource Accounts presentation

In both current and previous years Resource Accounts, expenditure of the Department has been divided between Administration and Programme categories. As part of the Law Officers' Departments' CSR07 settlement HM Treasury agreed that all RCPO's expenditure will be classed as Programme from 2008/09 and this change will be reflected in the Resource Accounts from 2008/09 onwards.

Efficiency savings

Under its 2004 Spending Review settlement RCPO had a target to make efficiency savings of £2.5 million by the end of 2007/08. Through attaining better value in the procurement of legal services and tightening control of administrative costs, total efficiency savings of £3.1 million were achieved over the 3-year period.

Under the 2007 Comprehensive Spending Review (CSR), which covers the period 2008 to 2011, RCPO together with other Law Officers' Departments, is committed to cash-releasing savings of 3.5% of total expenditure per annum in real terms over the CSR period. This is an ambitious target but by further tightening of controls of administrative costs, continued effective management of counsel fees and investment in technology to support the prosecution process, RCPO is confident it will fulfil its commitment whilst maintaining both the quality and volume of its work.

Remuneration Report

Ministers and Senior Officers

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

Remuneration Policy

The Prime Minister sets the remuneration of senior civil servants (SCS) following independent advice from the Review Body on Senior Salaries (SSRB).

In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional and local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the 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.

Further information about the work of the Review Body can be found at www.ome.uk.com.

Remuneration for RCPO's SCS members is determined in accordance with the latest SSRB Report on Senior Salaries. The Director, with the advice of his non-executive directors, considers pay increases and bonus payments in accordance with the recommendations of this report.

All SCS participated in a performance review and assessment process based on the common framework advised by the Cabinet Office. Performance assessments were made on the basis of each individual's contribution to RCPO relative to others and these formed the basis of decisions on base pay and bonuses in line with SSRB recommendations.

For grades below SCS, there are annual performance related pay awards based upon an appraisal of competency and the achievement of objectives. A formal review of each individual's performance is conducted at least once a year. Pay awards are measured against affordability criteria and are set within the bounds of the HM Treasury remit. Managers can also award recognition awards for extra effort to individuals or teams under RCPO's Recognition Scheme arrangements. In 2007-08 awards to non-SCS staff totalled £20,179 (2006-07: £3,323).

Service Contracts

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

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 Commissioners can be found at www.civilservicecommissioners.org.

The Director, David Green QC, was initially appointed by the Attorney General on a 3 year contract commencing in December 2004. The Director has been re-appointed for a further 2 years until December 2009.

Dave Partridge was serving as Chief Operating Officer on a 3 year contract due to end in September 2008. During 2007 his contract was terminated early and a replacement, Bertie Pinchera, was appointed on an interim basis. A permanent Chief Operating Officer has now been appointed on an open-ended contract, with David Richardson taking up the post in April 2008.

The two original Non-Executive Board members, Sarah Brown and Paul White, were appointed as office holders by the Director on a 3 year contract commencing in June 2005. Two further Non-Executive Board members, Claire Dodgson and Steven Redmond, were appointed on a 3 year contract in January 2008.

Salary and pension entitlements

The salary and pension entitlements of RCPO's senior management during 2007-08 are set out below. This information has been subject to audit.

Remuneration

Officials	2007-08	2006-07
	Salary	Salary
	£000	£000
David Green QC <i>Director</i>	200-205	195-200
Bertie Pinchera Interim Chief Operating Officer <i>(from 2 July 2007 to 31 March 2008)</i>	70-75 (85-90 full year equivalent)	–
Dave Partridge Chief Operating Officer <i>(to 20 August 2007)</i>	35-40 (80-85 full year equivalent)	90-95
Justin Freebairn <i>Head of Finance</i>	60-65	55-60
Alun Milford <i>Head of Asset Forfeiture</i>	70-75	15-20 (70-75 full year equivalent)
Kristin Jones <i>Head of IPAD (to 9 March 2008)</i>	80-85 (85-90 full year equivalent)	80-85
Annewen Rowe <i>Head of IPAD (from 10 March 2008)</i>	0-5 (75-80 full year equivalent)	–
Bruce Butler <i>Head of Division A (to 11 April 2007)</i>	10-15 (80-85 full year equivalent)	80-85

Officials	2007-08	2006-07
	Salary	Salary
	£000	£000
David Richardson <i>Head of Division A</i> <i>(Head of Division C to 10 April 2007)</i>	75-80	75-80
Matthew Wagstaff <i>Head of Division B</i>	80-85	75-80
Bill Wheeldon <i>Head of Division C</i> <i>(from 10 April 2007)</i>	70-75	–
Elizabeth Bailey <i>Head of Division D</i>	70-75	65-70
Gregor McGill <i>Head of Division E</i>	75-80	70-75

Saleem Naqvi was appointed as temporary Head of Division A with effect from 31st March 2008. Remuneration and Pension figures have not been disclosed for Mr Naqvi on the basis of materiality.

None of the Senior Officials received any benefits in kind during the year.

Salary

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

Benefits in kind

The above does not include the estimated monetary value of benefits in kind which relate solely to the provision of interest free loans for the purchase of season tickets for home to office travel.

Fees of Non-Executives

The Non-Executive Directors received the following fees in 2007-08.

	£
Sarah Brown	15,438
Claire Dodgson	485
Steven Redmond	1,788
Paul White	11,175

In addition to the fees shown above, Non-Executive Directors are also entitled to receive expenses.

Pension Benefits

Officials

	Accrued pension at age 60 as at 31/3/08	Related lump sum at 31/3/08	Real increase in pension at age 60	Related real increase in lump sum at age 60	CETV at 31/3/08	CETV at 31/3/07	Real increase in CETV
	£000	£000	£000	£000	£000	£000	£000
David Green QC <i>Director</i>	5-10	0	0-2.5	0	114	69	30
Bertie Pinchera <i>Interim Chief Operating Officer</i> <i>(from 2 July 2007 to 31 March 2008)</i>	10-15	0	0-2.5	0	244	191	15
Dave Partridge <i>Chief Operating Officer</i> <i>(to 20 August 2007)</i>	40-45	125-130	-2.5-0	-2.5-0	1,022	1,008	-5
Justin Freebairn <i>Head of Finance</i>	10-15	0	10-12.5*	0	147*	10*	131*
Alun Milford <i>Head of Asset Forfeiture</i> <i>(from 4 January 2007)</i>	10-15	40-45	0-2.5	2.5-5	215	163	21
Kristin Jones <i>Head of IPAD</i> <i>(to 9 March 2008)</i>	20-25	45-50	0-2.5	-2.5-0	388	319	16
Annewen Rowe <i>Head of IPAD</i> <i>(from 10 March 2008)</i>	10-15	0	0-2.5	0	210	202	1
Bruce Butler <i>Head of Division A</i> <i>(to 11 April 2007)</i>	35-40	110-115	0-2.5	0-2.5	877	896	1
David Richardson <i>Head of Division A</i> <i>(Head of Division C to 10 April 2007)</i>	15-20	45-50	0-2.5	2.5-5	246	195	16
Matthew Wagstaff <i>Head of Division B</i>	10-15	20-25	0-2.5	-2.5-0	174	136	9
Bill Wheeldon <i>Head of Division C</i> <i>from 10 April 2007)</i>	15-20	50-55	2.5-5	7.5-10	267	188	36
Elizabeth Bailey <i>Head of Division D</i>	10-15	40-45	0-2.5	5-7.5	263	199	27
Gregor McGill <i>Head of Division E</i>	15-20	50-55	0-2.5	0-2.5	282	231	5

* The disclosed increases in Mr Freebairn's benefits are largely accounted for by the transfer of benefits from his former civil service employer. This transfer was not reflected in the 2006-07 disclosures since it was only effected in June 2007.

Due to certain factors being incorrect in last years CETV calculator there may be a slight difference between the final period CETV for 2006/07 and the start of period CETV for 2007/08.

There were no employer contributions to partnership pension accounts.

Civil Service Pensions

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

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' 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 in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is updated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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

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

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk

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 individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

Real increase in CETV

This reflects the increase in CETV effectively 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.

A handwritten signature in black ink that reads "David Green". The signature is written in a cursive style with a long horizontal stroke at the end.

David Green QC
Accounting Officer
10 July 2008

Statement of Accounting Officer's responsibilities

1. Under the Government Resources and Accounts Act 2000, HM Treasury has directed RCPO to prepare for each financial year resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the Department during the year.
2. The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department, the net resource outturn, resources applied to objectives, recognised gains and losses, and cash flows for the financial year.
3. In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:
 - a. observe the relevant Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
 - b. make judgments 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 RCPO as Accounting Officer of the Department with responsibility for preparing the Department's accounts and for transmitting them to the Comptroller and Auditor General.
5. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out by HM Treasury and published in Managing Public Money.

Statement on internal control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of RCPO's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

RCPO operates under the ministerial superintendence of the Attorney General, with whom I meet regularly to discuss matters and risks that affect RCPO, including progress in implementing government policy in relation to the Criminal Justice System. I also meet with other Heads of Law Officers' Departments to consider matters of common interest including the issues and risks involved in meeting inter-departmental objectives.

The RCPO Board and an advisory Audit Committee support me in managing RCPO and its key risks.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in RCPO for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

As Accounting Officer I am ultimately responsible for the effective management of RCPO and for ensuring that there are adequate risk management arrangements and a sound system of internal control in place.

Division Heads manage risk in their areas of responsibility and ensure compliance with the procedures set out in the Risk Management Strategy. Managers ensure that staff understand their risk management responsibilities and the extent to which they are empowered to take risks. Risk management is an integral part of the prosecution process and a reduction in certain risks is one of the key reasons for prosecutor charging and early prosecutorial involvement in cases. Prosecutor charging was extended to all cases investigated by HM Revenue and Customs (HMRC) from the start of 2007-08, with RCPO prosecutors deciding whether criminal charges should be preferred, against whom and what those charges should be. Under the historical arrangements, HMRC investigators had taken these decisions. RCPO was already making the charging decisions in cases being investigated by the Serious Organised Crime Agency (SOCA), and in large scale, long-term HMRC investigations. By advising investigators from the earliest possible stage, prosecutors can ensure that the right evidence is collected, the strongest case possible is built and the right charge is chosen first time.

All staff are encouraged to report risks that affect our business and operations. The process of learning lessons, particularly as part of our casework procedures, contributes to business improvements and the sharing of good practice. This process is led by a Business Improvement Group. A programme to increase risk awareness throughout RCPO has recently commenced. This includes workshops, one to one sessions and training events for key staff. This process is being overseen by the Risk Group, with the aim of embedding risk management throughout the Department and its policies and procedures.

The risk and control framework

RCPO's risk strategy is linked to aims and objectives set out in the Departmental Business Plan. This link ensures that all underlying risks which have potential to affect business operations are adequately covered in the risk management process.

A control framework that includes internal and external components underpins the risk strategy. Key elements in place throughout the year include:

- The RCPO Board, which owns the Departmental Risk Management Strategy and is responsible for ensuring that strategic risks are properly managed, and which receives regular reports from the Audit Committee to support this function;
- A management information system that provides the RCPO Board with regular updates relating to casework activity and outcomes;
- Regular reviews by the RCPO Board of in-year expenditure against forecasts to ensure effective allocation and control of RCPO's financial resources;
- RCPO Board scrutiny of the performance against key targets in the Business Plan;
- A system of risk registers designed to provide RCPO with an effective and reliable tool for the management of risk (see below);
- A clear structure of delegated responsibility;
- A "Prosecutions Manual" that provides detailed guidance to staff on handling cases;
- Regular reviews by Division Heads of casework quality;
- A staff appraisal process that incorporates personal objectives and key performance indicators that support RCPO's approach to risk management;
- A commitment to the development of individuals, including appropriate training to ensure everyone can contribute fully to the work of the Department;
- A "Confidential Reporting Policy" that protects individuals who believe that RCPO has fallen below its standards, policies, and practices;
- A set of Human Resource policies;
- A system of regular reviews of counsel nominations and fee levels;
- A system for timely preparation of monthly management accounts and reconciliations; and,
- A system that ensures that financial information required by HM Treasury and Parliament is filed within the statutory timeframes.

Assurance that these internal controls are being applied effectively is provided by the following independent functions, which have been in place throughout the year:

- An Audit Committee, which from January 2008 is composed of four Non-Executive Directors, one of whom serves as the Chair and which assists me in fulfilling my oversight responsibilities, and which is authorised to review, and where necessary advise on RCPO's annual Resource Accounts, internal and external audit, risk management, corporate governance, financial discipline and control, and health and safety;

- Statutory inspection by HM Crown Prosecution Service Inspectorate to promote continuous improvement in the efficiency, effectiveness and fairness of RCPO's prosecution services through a process of inspection and evaluation, the provision of advice, and identification of good practice;
- An Internal Audit function which operates to Government Internal Audit Standards and which reviews the effectiveness of RCPO's risk management, control and governance processes and which regularly reports to the Audit Committee;
- Reports from RCPO's external auditors, the National Audit Office.

RCPO's approach to risk management is to foster a culture in which all staff are aware of the need to be alert to a broad range of risks. This approach is reflected in risk registers, which list the risks identified and provide a framework within which action to mitigate risk can be monitored.

A strategic risk register is used to record and monitor high-level risks to RCPO and its operations. This is supported by operational risk registers for:

- casework divisions;
- corporate services; and
- policy, assurance and communications.

Throughout this financial year, the strategic risk register has been revised regularly and reviewed quarterly by the Audit Committee. Operational risk registers are reviewed regularly, with reviews now being performed by the Risk Group, which was formally established in December 2007 and presents a quarterly report to the Audit Committee (see below).

The effectiveness of risk registers is reviewed regularly, while the measurement of the overall success of controls is performed through regular monitoring with updates where necessary. The context of the registers is revisited periodically to identify any new risks and to confirm that existing risks are managed actively.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the Executive managers within RCPO who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the RCPO Board and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

As Accounting Officer, I am also responsible for safeguarding information, including personal data, as part of the Department's intangible assets, ensuring appropriate standards of collection, use, control and access are enforced in relation to information handled by RCPO. The safeguarding of information is covered as part of my review of the effectiveness of the system of internal control.

Mechanisms exist to ensure that the effectiveness of the system of internal control is regularly reviewed:

- The RCPO Board sat nine times in the year and comprised myself, the Chief Operating Officer, all Division Heads, the Head of IPAD, the Head of Finance and the Non-Executive Directors. The Board routinely examines strategic issues including but not limited to, operational matters, risk and finance. A fuller description of the structure of the RCPO Board is included in the Departmental Governance and Organisation section of this Annual Report (page 5);

- The Audit Committee meets at least once a quarter and reviews the strategic risk register, and since December 2007 a report from the Risk Group. It also considers reports from both external and internal auditors and commissions such other work as it deems necessary to provide an assurance to the RCPO Board on governance, internal control and risk issues. A fuller description of the role of the Audit Committee is included in the Departmental Governance and Organisation section (page 5);
- In 2007-08, the Department appointed a Business Change and Risk Senior Manager, who is responsible for managing the risk process within RCPO. In addition to this appointment, the Department has also established a Risk Group which meets once a quarter. This group reviews and challenges identified risks and provides support to the Corporate Services and Audit Committees in discharging their duties in relation to risk;
- The International, Policy and Advisory Division (IPAD) conducts internal quality assurance on my behalf and, over the last twelve months, it has focussed on several significant areas in support of effective risk management. In particular, as part of a wider programme of work, IPAD's reviews examined performance in relation to the recording of decisions in casework, compliance with the law on disclosure, and the use of procedures for improving the quality of case papers submitted to RCPO.

The system of internal control was further strengthened during the year to address control issues previously identified. Significant developments included:

Management of counsel fees

Communication with chambers regarding counsel fees has been further strengthened. A procedure was put in place during the 2006-07 year-end to gain assurance over the level of counsel fees expenditure for the year together with the extent of the liability representing outstanding fee notes. This procedure has been repeated in preparing the 2007-08 Resource Accounts.

The new and more robust system of accounting for and managing RCPO's expenditure on counsel fees implemented in September 2006 continues to work well, and improvements continue to be made to further reduce exposure to risk. Central to this system is a three tier fee regime applied to all work commissioned from counsel. The new system standardised fee rates and set the hours to be completed from the start of each case. As a further improvement, during 2007-08 a Fact Sheet on Counsel Fees was launched with the aim of further increasing clarity of RCPO's fee system. The fact sheet was issued to all lawyers and case managers as well as to all list counsel and chambers.

IT infrastructure

SunGard became the Department's IT service provider in September 2007, replacing HMRC's service provider, ASPIRE. This followed a tender for new IT services to deliver and support RCPO's future IT infrastructure and applications, which concluded with RCPO signing a contract with SunGard on 24 April 2007. A project board successfully managed the transition to the new provider together with the associated risks of the change. The new contract better fulfils RCPO's requirements and represents greatly improved value for money to RCPO.

Changes to corporate governance structure

The Department's corporate governance structure was changed during 2007-08. The RCPO Board continues as previously constituted but now meets every other month to serve as the strategic authority for governance and accountability.

In addition to the existing Audit and Equality and Diversity committees, three additional committees have been created – Operations (dealing with all aspects of case management), Corporate Services (responsible for support functions) and Change Programme (responsible for overseeing the successful delivery of the Department's significant projects).

In order to strengthen and widen the range of experience and knowledge available to the RCPO Board, two additional Non-Executive Directors were appointed to the Board and to the Audit Committee in January 2008. Their appointment to the Audit Committee brought the Non-Executive membership of the Committee to four. In conjunction with these appointments, the single Executive member of the Audit Committee resigned. This has enabled the Audit Committee to become wholly independent of its Executive. This brings RCPO in line with best practice.

The newly formed Corporate Services Committee created a Risk Group, which will focus on the management of risk within RCPO. Further developments are being planned, including the introduction of risk officers in each team to enable risk management locally. The creation of a group with a specific remit on risk was intended to remove the detail of the risk management process from the Audit Committee, thus improving the Committee's effectiveness and efficiency. The Audit Committee's role in the new structure is to oversee the process and provide assurance to the RCPO Board.

To further strengthen the Department's corporate governance and control environment, a Business Change and Risk Senior Manager was appointed during the year.

Information Risk

Since late 2007, the Department has reviewed and strengthened its data handling systems in accordance with the latest government standards. This work has been taken forward in conjunction with the other Law Officers' Departments and key stakeholders such as counsel, HMRC and SOCA. The Department will continue to implement the new standards throughout 2008-09.

Further developments planned for 2008-09**Security Project**

The Department's existing Business Continuity and Disaster Recovery plans are being reviewed and updated as part of a wide ranging security project that commenced in early 2008. The project will also deliver a comprehensive records management policy and assurance regime. The project has as its ultimate aim the achievement of ISO 27001 accreditation for RCPO.

Budgetary control

RCPO's budget has previously been held and managed centrally but disaggregated by cost centre, account and period within the finance system. Budget variances have been generated at these levels, analysed and discussed with Division Heads each month.

From the start of 2008-09 the Department introduced delegated budgeting, meaning that cost centre managers hold their own budgets rather than them being held centrally. This allows cost centre managers to take ownership of their own budget, facilitating a more meaningful and informed variance analysis. This new system of budgeting is being supported by regular meetings between the Head of Finance and budget holders. In preparation for the delegation of budgets, the financial reporting system was developed to support the new process, providing visibility to budget holders from top level numbers to individual transactions.

Payroll provider

At the start of 2008-09 the Department changed payroll provider, with MidlandHR replacing the previous provider Northgate. Considerable work was performed in ensuring the accuracy of the transfer of data to the new provider. This change should result in a strengthening of the controls over the payroll function, with the services delivered being more tailored to RCPO's needs.

Finance manual

The Department published an internal Finance Manual in early 2008-09, setting out the processes and procedures to be followed within the Department. The publication of the Manual brings together all of the improvements in the financial control environment implemented over the last two years, and should ensure that these controls and processes are further embedded in the activity of the organisation.



David Green QC
Accounting Officer
10 July 2008

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 Revenue and Customs Prosecutions Office for the year ended 31 March 2008 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the Statement of Operating Costs by Departmental Aim and Objectives 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

The Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, the information which comprises the sections entitled RCPO Board, Directorships and other significant interests, Departmental and Annual Reports, Pensions, Auditors, and Accounting Boundary, included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Department's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Introduction, all sections within Departmental Governance and Organisation not listed above, the Management Commentary, all sections within the Financial Commentary not listed above and the unaudited part of the Remuneration Report. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the

financial statements, and of whether the accounting policies are most appropriate to the Department's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2008, and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information, which comprises the sections entitled RCPO Board, Directorships and other significant interests, Departmental and Annual Reports, Pensions, Auditors and Accounting Boundary, included in the Annual Report, is consistent with the financial statements.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

T J Burr
Comptroller and Auditor General
14 July 2008

National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS

Statement of Parliamentary Supply

Summary of Resource Outturn 2007-08

Request for Resources 1	Note	2007-08 Estimate			2007-08 Outturn			Net total outturn compared with Estimate saving/ (excess)	2006-07 Prior-year Outturn
		Gross Expenditure	A in A	Net Total	Gross Expenditure	A in A	Net Total		
		£000	£000	£000	£000	£000	£000		
The effective and efficient prosecution of cases in accordance with the code for Crown Prosecutors.	2	42,459	(3,550)	38,909	34,511	(3,495)	31,016	7,893	34,531
Total Resources	2	42,459	(3,550)	38,909	34,511	(3,495)	31,016	7,893	34,531
Non Operating cost A-in-A		-	-	-	-	-	-	-	-

Net Cash Requirement 2007-08

	Note	2007-08		Net total Outturn compared with Estimate saving/ (excess)	2006-07 Prior-year Outturn
		Estimate	Outturn		
		Net Total	Outturn		
Net cash requirement	4	£000	£000	£000	£000
		40,109	33,092	7,017	42,451

Summary of income payable to the Consolidated Fund

In addition to appropriations in aid, the following income relates to RCPO and is payable to the Consolidated Fund (cash receipts being shown in italics)

	Note	Forecast 2007-08		Outturn 2007-08	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
Total	5	-	-	-	-

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

The notes on pages 37 to 50 form part of these accounts.

Operating Cost Statement

For the year ended 31 March 2008

		2007-08		2006-07
	Note	Staff costs	Other Costs	Income
		£000	£000	£000
Administration costs				
Staff costs	7	14,032		12,205
Other administration costs	8		7,656	6,660
Less: Administration Income	10			(1,354)
Programme Costs				
Programme Costs	9		12,823	17,404
Less: Programme income	10			(2,141)
Totals		14,032	20,479	(3,495)
Net Operating Cost	3			32,006

All income and expenditure are derived from continuing operations.

Statement of Recognised Gains and Losses

for the year ended 31 March 2008

	2007-08	2006-07
	£000	£000
Prior Period Adjustment	0	(1,762)
Total recognised losses for the year	0	(1,762)

The notes on pages 37 to 50 form part of these accounts.

Balance Sheet*as at 31 March 2008*

	Note	31 March 2008		31 March 2007	
		£000	£000	£000	£000
Fixed Assets:					
Tangible assets	11	1,656		-	
Intangible assets	12	28		-	
			1,684	-	-
Current Assets:					
Debtors	13	2,055		2,053	
Cash at bank and in hand	14	916		1,556	
		2,971		3,609	
Creditors (amounts falling due within one year)	15	(7,061)		(8,082)	
Net current liabilities			(4,090)		(4,473)
			(2,406)		(4,473)
Taxpayers' Equity:					
General Fund	16	(2,406)		(4,473)	
			(2,406)		(4,473)



David Green QC
Accounting Officer
10 July 2008

The notes on pages 37 to 50 form part of these accounts.

Cash Flow Statement*for the year ended 31 March 2008*

		<u>2007-08</u>	<u>2006-07</u>
	Note	£000	£000
Net cash outflow from operating activities	17a	(30,401)	(42,433)
Capital expenditure and financial investment	17b	(1,946)	0
Payments of amounts due to the Consolidated Fund		(18)	(572)
Financing	17d	<u>32,201</u>	<u>37,736</u>
Decrease in cash in the period	17e	<u>(164)</u>	<u>(5,269)</u>
 Reconciliation of change in cash in the period to cash in bank:			
Decrease in cash in the period		(164)	(5,269)
Overdraft	15	<u>(476)</u>	<u>476</u>
Net change in cash balances	14	<u>(640)</u>	<u>(4,793)</u>

The notes on pages 37 to 50 form part of these accounts.

Statement of Operating Costs by Departmental Aim and Objective

for the year ended 31 March 2008

	2007-08			2006-07		
	Gross	Income	Net	Gross	Income	Net
	£000	£000	£000	£000	£000	£000
Aim:						
To be an effective, independent and specialist prosecuting authority that commands public confidence. We will promote the interests of witnesses and victims of crime.						
Objective	34,511	(3,495)	31,016	36,269	(4,263)	32,006
Net Operating Costs	34,511	(3,495)	31,016	36,269	(4,263)	32,006

The Department's objective was as follows:

To prosecute cases efficiently, fairly and effectively in accordance with the Code for Crown Prosecutors whilst prioritising the seizure of criminal assets.

The notes on pages 37 to 50 form part of these accounts.

Notes to the departmental resource accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2007–2008 *Government Financial Reporting Manual* (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

In addition to the primary statements prepared under UK GAAP, the FReM also requires the Department to prepare two additional primary statements. The *Statement of Parliamentary Supply* and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The *Statement of Operating Cost by Departmental Aim and Objective* and supporting notes analyse the Department's income and expenditure by objective.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Revenue and Customs Prosecutions Office (RCPO) for the purpose of giving a true and fair view has been selected. The Department's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Basis of Accounting

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets, where material, at their value to the business. RCPO does not have any entities either within or without the departmental boundary to consolidate.

1.2 Fixed assets

Tangible fixed assets

Assets are capitalised if they are intended for use on a continuing basis and their original purchase cost, on an individual basis, is £10,000 or more. For IT expenditure the £10,000 threshold is applied to assets on a grouped basis. Tangible fixed assets are initially measured at cost. Tangible fixed assets are stated at depreciated historical cost, which has been adopted as a proxy for current valuation. This treatment is permitted by the FReM for non-property assets and has been adopted on the basis that a valuation based on historical cost would not be materially different from a current cost valuation.

Intangible fixed assets

Intangible fixed assets relate to licences to use software developed by third parties. In line with the treatment of tangible fixed assets, intangible fixed assets are stated at depreciated historical cost, which has been adopted as a proxy for current valuation. Intangible fixed assets are initially measured at cost.

1.3 Depreciation and amortisation

Depreciation and amortisation is provided at rates calculated to write off the value of tangible and intangible fixed assets by equal instalments over their estimated useful lives. Depreciation and amortisation charges on assets acquired during the year are made from the month in which the asset becomes available for use. Assets are depreciated and amortised over the following periods:

- Leasehold improvements over the remaining term of the lease
- Computer equipment 4 years
- Telephone equipment 4 years
- Software licences 3 years

1.4 Income from the Asset Incentivisation Scheme

Under the Asset Incentivisation Scheme RCPO is allowed to retain 16.67% of the total value of assets recovered in the year. Income generated from this scheme is recognised in RCPO's accounts when the Home Office recognises it in their accounts.

Income from the Asset Incentivisation Scheme is intended to offset the costs of asset forfeiture activity. Within RCPO these costs fall under both programme and administration and income is apportioned accordingly.

1.5 Costs awarded to RCPO

RCPO may be awarded costs against convicted defendants at the discretion of the judge or magistrate. Responsibility for recording, enforcing and collecting these costs rests with the appropriate court which is also responsible for forwarding collected monies to RCPO. Accordingly, RCPO records these receipts on a cash basis.

1.6 Costs awarded against RCPO

Any costs awarded against RCPO are included under programme costs for the year in which the awards are made.

1.7 Administration and Programme expenditure

The Operating Cost Statement is analysed between administration and programme costs. The classification of expenditure as administration or as programme follows the definition of administration costs set by HM Treasury.

Administration costs represent the costs of running RCPO as defined under the administration cost control regime. Programme costs reflect operating costs relating to prosecution, including the employment of counsel. All RCPO staff costs whether frontline or support are classed as administration costs.

1.8 Accruals

These accounts have been prepared on the accruals basis of accounting. Where known, the non-cash effects of counsel fees and other transactions have been reflected in the accounts in the year in which the service or goods have been supplied, and not in the year in which any cash involved is received or paid.

1.9 Capital charge

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

- a. cash balances with the Office of the Paymaster General and
- b. liabilities for amounts to be surrendered to the Consolidated Fund, where the charge will be at a nil rate.

1.10 Foreign Exchange

Transactions which are denominated in a foreign currency are translated at the rate of exchange ruling on the date of the transaction.

1.11 Pensions

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

1.12 Operating leases

Rentals due under operating leases are charged to the Operating Cost Statement over the lease term on a straight-line basis, or on the basis of actual rentals payable where this fairly reflects the usage.

1.13 Provisions

The Department's policy on provisions follows FRS 12: Provisions, Contingent Liabilities and Contingent Assets. Accordingly, it has made no provision for legal or constructive obligations, given the levels of uncertainty as regards the amount of these obligations at the balance sheet date.

1.14 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, the Department will disclose 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 that are required to be disclosed under FRS 12 will be stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 will be stated at the amounts reported to Parliament.

1.15 Value Added Tax

Input tax is recoverable on certain services procured by RCPO, and in such circumstances the amounts are stated net of VAT. Irrecoverable VAT is charged to the relevant expenditure category.

2. Analysis of net resource outturn by section

	2007-08					Estimate		2006-07
	Outturn			A in A	Net Total	Net total		Prior-year
	Admin	Other Current	Gross resource expenditure			Net Total	Estimate	
£000	£000	£000	£000	£000	£000	£000	£000	
Request for Resources 1								
1A Administration Costs	21,688	-	21,688	(1,354)	20,334	20,936	602	17,365
1B Prosecutions	-	12,823	12,823	(2,141)	10,682	17,973	7,291	17,166
Resource Outturn	21,688	12,823	34,511	(3,495)	31,016	38,909	7,893	34,531

Key to Request for Resources

Request for Resources 1 – The effective and efficient prosecution of cases in accordance with the Code for Crown Prosecutors

Explanation of the variance between Estimate and outturn

The resource outturn figure was lower than the estimate because of the uncertainty in forecasting expenditure in a demand-led environment, with the result that case numbers and related expenditure/activity was lower than planned.

Detailed explanations of the variances are given in the Management Commentary.

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

3(a) Reconciliation of net resource outturn to net operating cost

	Note	2007-08			2006-07
		Estimate	Supply	Outturn	Outturn
		Outturn	Estimate	compared with	
		£000	£000	£000	£000
Net Resource Outturn	2	31,016	38,909	7,893	34,531
Prior Period Adjustment	-	-	-	-	(1,762)
Non-Supply Income (CFERs)	5	-	-	-	(763)
Net operating cost		31,016	38,909	7,893	32,006

3(b) Outturn against final Administration budget

	2007-08		2006-07
	Budget	Outturn	Outturn
	£000	£000	£000
Gross Administration Budget	22,136	21,688	18,865
Income allowable against the Administration Budget	(1,350)	(1,354)	(1,744)
Net outturn against final Administration Budget	20,786	20,334	17,121

4. Reconciliation of resources to cash requirement

	Note	2007-08		Net total outturn compared with estimate: saving/(excess)	2006-07
		Estimate	Outturn		Outturn
		£000	£000	£000	£000
Resource Outturn	2	38,909	31,016	7,893	34,531
Prior Period Adjustment		-	-	-	(1,762)
Capital					
Acquisition of fixed assets		1,800	1,946	(146)	-
Accruals adjustments:					
Non-cash items	8	(600)	(253)	(347)	179
Changes in working capital other than cash		-	383	(383)	9,503
Net Cash Requirement		40,109	33,092	7,017	42,451

Explanation of the variance between Estimate and outturn

The net cash requirement was lower than the estimate because of the uncertainty in forecasting expenditure in a demand-led environment, with the result that case numbers and related expenditure/activity and cash requirement was lower than planned.

Detailed explanations of the variances are given in the Management Commentary.

5. Analysis of income payable to the Consolidated Fund

In addition to appropriations in aid, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics)

	2007-08 Forecast		2007-08 Outturn		2006-07 Outturn	
	Income	Receipts	Income	Receipts	Income	Receipts
	£000	£000	£000	£000	£000	£000
Operating income & receipts – excess A in A	-	-	-	-	745	-
Other operating income and receipts not classified as A in A	-	-	-	-	18	<i>18</i>
Total income payable to the Consolidated Fund	-	-	-	-	763	<i>18</i>

6. Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

	Note	2007-08	2006-07
		£000	£000
Operating Income	10	3,495	4,263
Income authorised to be appropriated-in-aid		(3,495)	(3,500)
Operating income payable to the Consolidated Fund		-	763

7. Staff numbers and related costs

Staff costs comprise:

	2007-08		2006-07
	Total	Permanently employed staff	Others
	£000	£000	£000
Wages and salaries	11,047	10,471	576
Social security costs	901	901	–
Other pension costs	2,084	2,084	–
Total net costs	14,032	13,456	576
			12,205

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but RCPO 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 resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2007-08, employer's contributions of £2,083,959 were payable to the PCSPS (2006-07: £1,755,688) at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2008-09, the salary bands will be revised but the rates will remain the same. The contribution rates are set to meet the cost of the benefits accruing during 2007-08 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Other pension costs includes £nil (2006-07: £161,373) in relation to an early retirement payment.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. During 2007-08, no employer contributions of this kind were paid to the panel of three appointed stakeholder pension providers.

The salary and pension entitlements of the Director and Board of RCPO are disclosed in the Remuneration Report.

Average number of persons employed

The average number of whole-time equivalent persons employed during the year is shown in the table below.

	2007-08		2006-07
	Total	Permanently employed staff	Others
Request for Resources 1	323	297	26
	323	297	26
			277

8. Other Administration Costs

	2007-08	2006-07
	<u>£000</u>	<u>£000</u>
IT & Telecoms	2,002	2,241
Travel and Subsistence	513	337
Consultancy	273	236
Service charges & rates	2,864	1,866
Estates maintenance	148	835
Printing & stationery	231	279
Recruitment	106	80
Training	297	206
Rentals under Operating Leases	86	84
Postage & other carriers	263	250
Publicity & Advertising	84	108
Library services	113	116
Internal Audit Fees	53	39
†Other	370	162
Non-cash items		
Depreciation	262	–
Auditors' remuneration and expenses*	68	72
Loss on disposal/revaluation of assets	–	–
Cost of capital charges	(77)	(251)
	<u>7,656</u>	<u>6,660</u>

†Other includes HMRC administration service charges and miscellaneous costs.

*There was no auditor remuneration for non-audit work.

9. Programme Costs

	2007-08	2006-07
	<u>£000</u>	<u>£000</u>
Counsel Fees	11,404	14,955
Costs Payable	245	628
Transcription Fees	77	241
Translation Fees	163	161
Electronic Presentation of Evidence	210	697
†Other expenditure	724	722
	<u>12,823</u>	<u>17,404</u>

†Other expenditure includes forensic analysis, expert witnesses and other direct legal costs.

10. Income

	2007-08 Total	2006-07 Total
	<u>£000</u>	<u>£000</u>
Request for Resources 1		
Programme Income		
Court costs recovered	134	217
*Asset Incentivisation Income	2,007	2,302
	<u>2,141</u>	<u>2,519</u>
Administration income		
Interest from bank	–	18
*Asset Incentivisation Income	1,354	1,726
	<u>1,354</u>	<u>1,744</u>
	<u>3,495</u>	<u>4,263</u>

*Refer to Note 1.4

11. Tangible fixed assets

	Information Technology	Leasehold Improvements	Total
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Cost or valuation			
At 1 April 2007	–	–	–
Additions	1,011	900	1,911
Disposals	–	–	–
At 31 March 2008	<u>1,011</u>	<u>900</u>	<u>1,911</u>
Depreciation			
At 1 April 2007	–	–	–
Charged in year	147	108	255
Disposals	–	–	–
At 31 March 2008	<u>147</u>	<u>108</u>	<u>255</u>
Net book value at 31 March 2008	<u>864</u>	<u>792</u>	<u>1,656</u>
Net book value at 31 March 2007	<u>–</u>	<u>–</u>	<u>–</u>

RCPO owns all the assets disclosed above, and is not party to any PFI contracts.

Assets are valued on a depreciated historical cost basis, which has been adopted as a proxy for current valuation (refer to note 1.2).

12. Intangible fixed assets

Intangible fixed assets comprises software licences.

	Total
	<u>£000</u>
Cost or valuation	
At 1 April 2007	–
Additions	35
Disposals	–
At 31 March 2008	<u>35</u>
Depreciation	
At 1 April 2007	–
Charged in year	7
Disposals	–
At 31 March 2008	<u>7</u>
Net book value at 31 March 2008	<u>28</u>
Net book value at 31 March 2007	<u>–</u>

13. Debtors**13(a) Analysis by type**

	2007-08	2006-07
	<u>£000</u>	<u>£000</u>
Amounts falling due within one year:		
VAT Debtor	747	910
* Other Debtors	1,212	1,122
Prepayments	96	21
	<u>2,055</u>	<u>2,053</u>

*Other Debtors includes amounts due to the Consolidated Fund, principally excess A in A. In 2007-08 RCPO had no excess A in A (2006-07: £745k).

13(b) Intra-Government Balances

	2007-08	2006-07
	<u>£000</u>	<u>£000</u>
Balances with other central government bodies	1,885	1,923
Balances with bodies external to government	170	130
At 31 March	<u>2,055</u>	<u>2,053</u>

RCPO has no debtor balances falling due after more than one year.

14. Cash at bank and in hand

	<u>2007-08</u>	<u>2006-07</u>
	£000	£000
Balance at 1 April	1,556	6,349
Net change in cash balances	(640)	(4,793)
Balance at 31 March	<u>916</u>	<u>1,556</u>
The following balances at 31 March are held at:		
Office of HM Paymaster General	685	10
Commercial banks and cash in hand	231	1,546
Balance at 31 March	<u>916</u>	<u>1,556</u>

RCPO had no cash in hand balances at 31 March 2008.

15. Creditors**15(a) Analysis by type**

	<u>2007-08</u>	<u>2006-07</u>
	£000	£000
Amounts falling due within one year:		
Payroll Creditor	1,165	997
Other taxation and social security	83	65
Overdraft	–	476
Trade Creditors – Administration	216	203
Trade Creditors – Counsel Fees	597	1,558
Accruals – Administration	1,215	385
Accruals – Programme	2,869	2,573
Amounts issued from the Consolidated Fund for supply but not spent at year end	171	1,062
Consolidated Fund excess receipts due to be paid to the Consolidated Fund – received	745	18
Consolidated Fund excess receipts due to be paid to the Consolidated Fund – receivable	–	745
	<u>7,061</u>	<u>8,082</u>

15(b) Intra-Government Balances

	<u>2007-08</u>	<u>2006-07</u>
	£000	£000
Balances with other central government bodies	3,062	3,235
Balances with bodies external to government	3,999	4,847
At 31 March	<u>7,061</u>	<u>8,082</u>

RCPO has no creditor balances falling due after more than one year.

16. General Fund

The General Fund represents the total assets less liabilities of each of the entities within the accounting boundary, to the extent that the total is not represented by other reserves and financing items.

	2007-08	2006-07
	<u>£000</u>	<u>£000</u>
Balance at 1 April 2007	(4,473)	(13,976)
Net Parliamentary Funding		
Drawn Down	32,201	37,736
Deemed	1,062	5,777
Year End Adjustment		
Supply (Creditor)/Debtor-current year	(171)	(1,062)
Net Transfer from Operating Activities		
Net Operating Cost	(31,016)	(32,006)
CFERs repayable to Consolidated Fund	-	(763)
Non cash charges		
Cost of Capital	(77)	(251)
Auditor's remuneration	68	72
Balance at 31 March 2008	<u>(2,406)</u>	<u>(4,473)</u>

17. Notes to the Cash Flow Statement**17(a) Reconciliation of operating cost to operating cash flows**

		2007-08	2006-07
	Note	<u>£000</u>	<u>£000</u>
Net operating cost	3	(31,016)	(32,006)
Adjustments for non-cash transactions	8	253	(179)
Decrease/(Increase) in Debtors	13a	(2)	419
(Decrease)/Increase in Creditors	15a	(545)	(15,191)
Less: movements in creditors relating to items not passing through OCS	15a	909	4,524
Net cash outflow from operating activities		<u>(30,401)</u>	<u>(42,433)</u>

17(b) Analysis of capital expenditure and financial investment

		2007-08	2006-07
	Note	<u>£000</u>	<u>£000</u>
Tangible fixed asset additions	11	(1,911)	-
Intangible fixed asset additions	12	(35)	-
Net cash outflow from investing activities		<u>(1,946)</u>	<u>-</u>

17(c) Analysis of capital expenditure and financial investment by Request for Resources

	Capital expenditure
	<u>£000</u>
Request for resources 1	(1,946)
Total 2007-08	<u>(1,946)</u>
Total 2006-07	<u>-</u>

17(d) Analysis of financing

		<u>2007-08</u>	<u>2006-07</u>
	Note	£000	£000
From the Consolidated Fund (Supply) - current year	16	32,201	37,736
Advances from the Contingencies Fund		-	3,000
Repayments to the Contingencies Fund		-	(3,000)
Net financing		<u>32,201</u>	<u>37,736</u>

17(e) Reconciliation of Net Cash Requirement to decrease in cash

		<u>2007-08</u>	<u>2006-07</u>
	Note	£000	£000
Net Cash Requirement	4	(33,092)	(42,451)
From the Consolidated Fund (Supply) – current year	17d	32,201	37,736
Amounts due to the Consolidated Fund – received in a prior year and paid over		(18)	(572)
Amounts due to the Consolidated Fund received but not paid over		745	18
Decrease in cash		<u>(164)</u>	<u>(5,269)</u>

18. Capital commitments

	<u>2007-08</u>	<u>2006-07</u>
	£000	£000
Contracted capital commitments at 31 March 2008 for which no provision has been made	166	-
	<u>166</u>	<u>-</u>

The above commitment relates to a contract the Department has entered into for the refurbishment of its premises at Ralli Quays, Manchester.

£75k has been recognised in 2007-08 in relation to this contract.

19. Commitments under leases**19.1 Operating leases**

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

	<u>2007-08</u>	<u>2006-07</u>
	£000	£000
Obligations under operating leases comprise:		
Land and buildings	-	-
Other:		
Expiry within one year	8	20
Expiry after 1 year but not more than 5 years	10	9
Expiry thereafter	-	-
	<u>18</u>	<u>29</u>

19.2 Finance leases

RCPO has no obligations under finance leases.

20. Commitments under PFI contracts

RCPO is not party to any PFI contracts.

21. Other financial commitments

The Department has entered into contracts for the provision of IT services and HR systems. These contracts expire in 2011 and 2012 respectively, and the Department expects to pay out £816k in respect of these services during 2008-09, although the exact amounts paid may fluctuate according to levels of service provision.

22. Losses and Special payments**22(a) Losses Statement**

There are no material losses.

22(b) Special Payments

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

23. Financial instruments

FRS 13, *Derivatives and Other Financial Instruments*, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which government departments are financed, RCPO is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. RCPO 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 department in undertaking its activities.

As permitted by FRS 13, debtors and creditors which mature or become payable within 12 months from the balance sheet date have been omitted from the currency profile.

Liquidity risk

The Department's net resource requirements are financed by resources voted annually by Parliament. RCPO is not therefore exposed to significant liquidity risks.

Interest rate and foreign currency risk

RCPO is not exposed to any significant interest rate or foreign currency risks.

24. Contingent liabilities disclosed under FRS 12

As at 31 March 2008 RCPO has identified 11 (2006-07: 18) cases where the Department may face liability for legal costs and compensation to defendants and 3rd parties. Receivership costs may also be incurred in those cases which have involved the forfeiture of assets. RCPO has estimated that these cases may, subject to the Judge's ruling, result in overall settlements of £2,614,000 (2006-07: £3,183,000).

Costs awarded against the Department may be contested on appeal.

25. Contingent Liabilities not required to be disclosed under FRS12 but included for parliamentary reporting and accountability

There were no contingent liabilities of this nature at the year-end.

26. Related Party Transactions

There have been a small number of transactions with other government departments and other central government bodies. The majority of these transactions have been with HM Revenue and Customs and relate to the provision of payroll, information technology and accommodation services. Only a few inter government department transactions were with the HM Procurator General and Treasury Solicitor for the provision of RCPO's finance information system and payments processing.

None of the Board members, key managerial staff or other related parties undertook any material transactions with RCPO during the year.

27. Third Party Assets

RCPO held no third party assets at the balance sheet date.

28. Post Balance Sheet Events

RCPO had no post balance sheet events.

In accordance with the Financial Reporting Standard 21 "Events after the balance sheet date", accounting adjustments and disclosures are considered up to the point where the financial statements are "authorised for issue". This is interpreted as the date on the Comptroller and Auditor General's audit certificate.



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