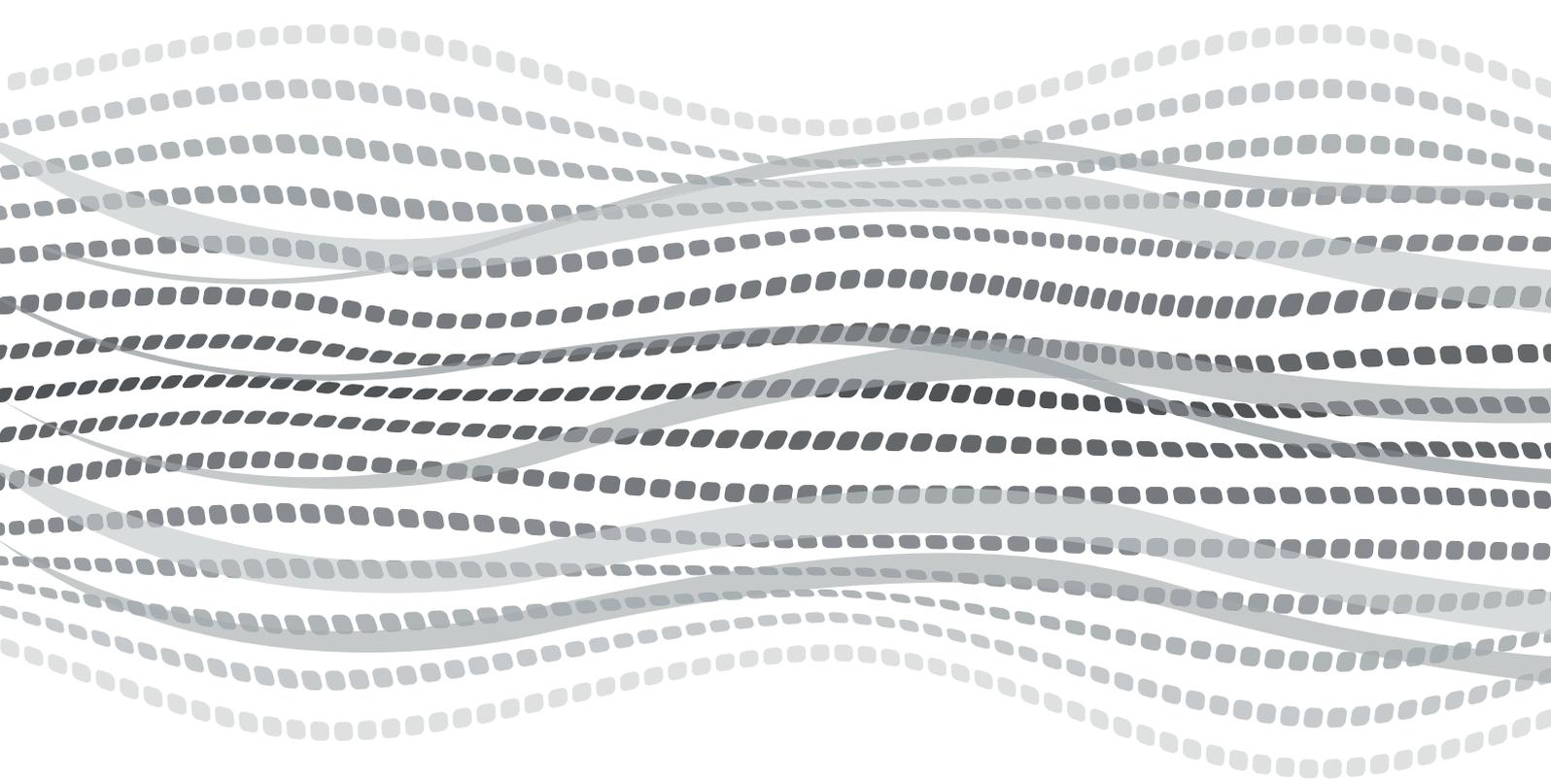


**Serious Organised Crime Agency**  
Annual Report and Accounts  
2012/13



SOCA is a Home Office Non-Departmental Public Body

**Serious Organised Crime Agency**  
Annual Report and Accounts 2012/13

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

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

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## Foreword by the Home Secretary

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SOCA's final year has been a challenging one, in which it has had to deliver strategic and operational priorities while also supporting the creation of the new National Crime Agency (NCA). Nevertheless, I am pleased to say that it has had a successful year, performing a leading role in our fight against serious and organised crime.

As this annual report sets out, SOCA has continued to disrupt the supply of Class A drugs, with SOCA activity resulting in the seizure of just under 5 tonnes of heroin, 38 tonnes of opium and 68 tonnes of cocaine. Working alone and with partners it has denied criminals access to around £483m of assets and has also made significant inroads in tackling cyber crime, human trafficking and fraud. I have been particularly struck by SOCA's successful work with national and international colleagues, culminating in a number of high profile results, such as the recent arrest of Andrew Moran in Spain following the UK/Spanish Crimestoppers campaign. High quality criminal casework led to a conviction rate of almost 92% in 2012/13. These results send a clear message once again: if you engage in criminal activity, UK law enforcement *will* take action against you.

Alongside vital operational work, SOCA staff have made an important contribution to setting up the NCA, including establishing the National Cyber Crime Unit in shadow form, and developing the Organised Crime Co-ordination Centre, which will play a key role within the NCA's new Intelligence Hub.

I would like to thank SOCA staff for their professional approach and their continued commitment to tackling the organised crime that can cause such damage to our communities. I know many of them will be taking this professionalism and expertise forward into the NCA, so ensuring that it is a truly world-class crime-fighting body.

A handwritten signature in black ink, appearing to read 'T. May'.

RT. HON. THERESA MAY, MP



## Contents

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Foreword by the Home Secretary	3
Joint Statement by the Chair and Director General	7
Introduction	9
<b>Part One: Success in 2012/13</b>	<b>11</b>
▶ National Crime Agency	11
▶ Drugs	12
▶ Infrastructure	15
▶ Criminal Finances and Profits	16
▶ Cyber Crime	18
▶ Firearms	19
▶ Organised Immigration Crime	20
▶ Fraud	21
▶ Lifetime Management and Tackling Enablers of Organised Crime	22
▶ Scotland and Northern Ireland	23
▶ Working with Partners	24
▶ London 2012 Olympic and Paralympic Games	26
▶ Specialist Support	26
▶ Piracy	27
<b>Part Two: Statement of Accounts 2012/13</b>	<b>29</b>
▶ Management Commentary	31
▶ SOCA Sustainability Report	37
▶ Remuneration Report	45
▶ Statement of the Accounting Officer's Responsibilities	49
▶ Governance Statement	50
▶ The Certificate and Report of the Comptroller and Auditor General	66
▶ Statement of Comprehensive Net Expenditure	68
▶ Statement of Financial Position	69
▶ Statement of Cash Flows	70
▶ Statement of Changes in Taxpayers' Equity	71
▶ Notes to the Accounts	72
<b>Appendix: Criminal Justice and other data</b>	<b>111</b>

## Joint Statement by the Chair and Director General

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After seven years of operation and with significant changes imminent, now is the right time to look back at what has been achieved by SOCA and to pay tribute to the thousands of officers who have made those achievements possible. SOCA has a dedicated and tenacious workforce, prepared to go beyond conventional approaches to law enforcement to pursue complex and groundbreaking cases through the courts; to develop innovative and creative prevention tools which disrupt the conditions that allow organised crime to prosper; and to deliver significant outcomes in an ever more challenging operating environment.

The Agency has worked tirelessly to support partners in the UK and overseas and SOCA methodology is now firmly established in both law enforcement and national security arenas. SOCA has become internationally recognised as a leader in certain fields, for example by building capacity among overseas partners in operational investigations; supplying discrete capabilities and resources to partners in the UK; and providing high-level strategic advice worldwide in instances of corruption and kidnap.

From a coming together in 2006 of different intelligence and law enforcement organisations with many IT systems, various pay and grade structures, a large and incoherent estate, and diverse organisational priorities and practices, SOCA has evolved into a professional and valued organisation with a clear purpose, a positive culture and shared set of values, and an estate and an IT infrastructure that are increasingly fit for purpose.

2012/13 was a very successful year for SOCA and the Agency has come a very long way since the early days of 2006. The capabilities and methodologies it has developed will provide a firm foundation on which the National Crime Agency (NCA), with its broader reach and higher public profile within the national security arena will be able to build. The NCA also inherits a committed, skilled and experienced cadre of officers who will form its crime-fighting heart. It has been a privilege to lead them and we wish them and the NCA every success.



SIR IAN ANDREWS  
Chair



TREVOR PEARCE QPM  
Director General and Accounting  
Officer

## Introduction

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SOCA's seventh and final Annual Report describes its performance over the past year. It covers in particular:

- ▶ A summary of progress during the year resulting from SOCA activity, including its impact on the trafficking of the major illegal commodities and threats which SOCA is charged with tackling;
- ▶ SOCA's activity in Scotland and Northern Ireland and in support of, and in collaboration with, domestic and international partners; and
- ▶ Progress against SOCA's priorities, as set out in the Annual Plan 2012/13. These were:
  - ▷ the dislocation of those criminal markets where SOCA has the lead responsibility for UK law enforcement and contributing to the dislocation of those criminal markets where other agencies have the lead responsibility;
  - ▷ the systematic management, on a risk basis, of all SOCA Persons of Interest (PoIs) identified as involved in organised crime, causing harm to the UK, through effective information management and planned interventions;
  - ▷ the delivery of more law enforcement activity against more organised criminals, at reduced cost and securing criminal convictions against the most serious criminals; and
  - ▷ to support the seamless transition of SOCA into the NCA while maintaining the tempo of operational activity.

SOCA's statutory remit is provided for in the Serious Organised Crime and Police Act 2005 (SOCAP) as follows: 'the prevention and detection of serious organised crime, the contribution to the reduction of such crime in other ways and to the mitigation of its consequences.' SOCA operates in accordance with the Organised Crime Strategy – *Local to Global* – and its themes of Stem, Strengthen and Safeguard, as well as with other Government strategies designed to impact on organised crime as it affects the UK. SOCA is accountable to the Home Secretary through its Chair, Director General and Non-Executive Directors, all of whom are appointed by the Home Secretary.

This Annual Report summarises SOCA's success in 2012/13, illustrated by some examples of operational activity undertaken during the year. The conviction rate for 2012/13 was almost 92%, the highest annual figure since 2008/09. This was achieved with more people facing trial and more convictions in a single year than since SOCA began.

Figures relating to SOCA activity, including drugs seizures, arrests and ancillary orders are set out in the Appendix.

At the start of the financial year, SOCA welcomed 160 staff from the former National Policing Improvement Agency (NPIA) who are due to transfer into the NCA. These were those working in the UK Missing Persons Bureau; the Specialist Operations Centre; the Central Witness Bureau; the Serious Crime Analysis Section (SCAS); and the Crime Operational Support Unit. They were joined later in the year by 25 staff from the Proceeds of Crime Centre. More detail on these units can be found in the main body of the Report.

Following the formative work reported last year to develop the Threat Reduction Boards (TRBs), during the first full year of their operation SOCA supported multi-agency efforts in accordance with the Organised Crime Control Strategies for each

## Introduction

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threat area. It did so by identifying the threats and ensuring they were captured through quarterly threat updates, as well as assisting in coordinating planning to mitigate their effects.

The Statement of Accounts (Part Two) includes associated costs and revenues of the Child Exploitation and Online Protection Centre (CEOP) which is affiliated to SOCA. The Annual Report does not however report on the work of CEOP, which publishes its own Annual Review and Centre Plan of its activity.

SOCA employs some 3,900 full-time equivalent staff across the UK and overseas. The Agency operates from around 30 sites in the UK and in the region of 40 countries worldwide. Most officers working overseas have a remit which extends beyond the country in which they are based, enabling a reach across more than 150 nations.

## Part One – Summary of Successes in 2012/13

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### National Crime Agency

The pace of work in preparation for the establishment of the National Crime Agency (NCA) increased significantly over the course of the year. SOCA worked closely with the NCA Programme Team in the Home Office, seconded staff to the Home Office to offer expertise in specific areas and provided project managers to ensure that the programme was properly directed and supported. SOCA also hosted visits from staff working in the NCA Programme Team to enhance their understanding of the Agency's ways of working.

During the year, several key NCA posts were filled, some by senior SOCA staff. Also, the attachment of staff from the Metropolitan Police Service's Police Central e-Crime Unit (PCeU) to establish the shadow National Cyber Crime Unit (NCCU) took place. At the start of February, some areas of SOCA began shadow NCA working,<sup>1</sup> while remaining operationally accountable to the SOCA Director General. This was to assist with a smooth transition by enabling NCA activity to begin in certain areas, involving some of the resources which the NCA will inherit and allowing the testing of processes and operating practices in advance of 'go-live' in October.

### Organised Crime Coordination Centre (OCCC)

In its first full year of operation, the multi-agency OCCC continued to develop, increasing its support and assistance to partners, whilst also contributing to planning so that it is well placed to play a key role within the NCA Intelligence Hub. The OCCC currently manages two major national functions: the National Flagging Service (NFS), with associated Deconfliction, and Organised Crime Group Mapping (OCGM).<sup>2</sup> At year-end, work was underway to transfer and develop confidential assets into the OCCC.

The OCCC developed new approaches to exploiting the OCGM data, improving the method of capturing information on serious, organised and complex crime. The breadth and reach of OCGM is also being expanded to improve its effectiveness both within the UK and overseas.

<sup>1</sup> Shadow working enables the NCA to begin to operate in advance of becoming fully operational in October. Shadow working uses some of the resources that will make up the NCA in line with the NCA's expected priorities. Shadow working also tests how the NCA will operate before it goes live in October 2013, ensuring a smooth transition.

<sup>2</sup> OCGM provides UK law enforcement with a mechanism for identifying the threats, harms and risks posed by organised criminals. It is used by SOCA and wider law enforcement as a crime fighting tool which also informs decision making in respect of tasking, resources and operational responses.

## Drugs

***SOCA continued to devote a significant proportion of its resources to tackling the supply of Class A drugs to the UK. SOCA-led activity both in the UK and overseas has been key to maintaining the pressure on both the heroin and cocaine markets. SOCA's collaborative approach and working relationships with partners overseas and in the UK inhibited the availability of both heroin and cocaine. Wholesale prices for both commodities remained stable and low purity of heroin at street dealer level persisted.***

### Heroin

SOCA maintained its end-to-end approach to tackling the supply of heroin to the UK. The reduced availability of heroin reported in previous years persisted in 2012/13, due in part to the sustained efforts of law enforcement.

Adapting to the changing picture of the supply of heroin to the UK and building on the improved intelligence picture and enhanced working with the authorities in Pakistan reported last year, SOCA continued to focus efforts on the increasingly-significant route through Pakistan.

SOCA activity led to the seizure of just under 5 tonnes of heroin in 2012/13. The average purity of heroin interdicted at the UK border was largely at or below 50%, while at street dealer level the purity of heroin was mostly between 15 and 20%, indicating continuing pressures in various parts of the supply chain. The wholesale price of heroin remained fairly stable at around £30,000 per kilogram, which was an increase on the prices seen in 2010 and 2011.

SOCA activity led to international opium seizures more than four times the total for the previous year. Further information can be found in the Appendix.

### Heroin shipment from Pakistan

The controlled delivery by SOCA of a detected heroin consignment resulted in nine members of an organised crime group being jailed for a total of just over 110 years.<sup>3</sup> The 17 kilogram consignment had been detected at Heathrow Airport in freight from Pakistan, concealed within a shipment of clothing and bedding. The investigation also identified a previous shipment made to the same group which was believed to have contained approximately 8 kilograms of heroin. The trial judge told the defendants that this "... was a well organised conspiracy, a serious and commercial scale drugs operation to a street value of £4 million. In your different roles you caused misery, degradation, theft and violence to your community". Evidence obtained during this investigation also assisted an investigation conducted by Lancashire Constabulary where 27 people were convicted of supplying heroin.

SOCA maintained its end-to-end approach to tackling the supply of heroin to the UK. The reduced availability of heroin reported in previous years persisted in 2012/13, due in part to the sustained efforts of law enforcement.

Over 90% of the heroin available in the UK is derived from opium cultivated in Afghanistan. SOCA continued to deploy significant resources in Afghanistan dedicated to capacity building and the support and mentoring of Afghan law enforcement authorities. This year SOCA activity led to the seizure in Afghanistan of 3.9 tonnes of heroin, 35.4 tonnes of opium, 1.7 tonnes of morphine, 6.3 tonnes of cannabis, 10 kilograms of cutting agents, 17.8 tonnes and 12,600 litres of precursor chemicals and a quantity of other controlled drugs. In addition, around 1,000 firearms and weapons, including Improvised Explosive Devices (IEDs) and over 38,000 items of ammunition were seized.

### Cocaine

Sustained activity working with partners in source and transit countries continued to impact upon the availability of cocaine in the UK. In 2012/13, SOCA activity led to the seizure of 67.8 tonnes of cocaine in the UK and overseas. Data obtained from cocaine seized at the UK border indicated that the purity at import level remained stable at approximately 75%, while the price was an average of

<sup>3</sup> A controlled delivery is an operational technique in which illegally procured or illegally supplied commodities are permitted to be delivered under surveillance without the knowledge of the criminal targets involved in their supply or acquisition.

£45,000 per kilogram. Purity at street dealer level remained fairly low at around 35%.



### Network of organised crime groups dismantled after five-year investigation

A network of international organised crime groups responsible for importing over 52 tonnes of cannabis and cocaine into the UK was completely dismantled in a five-year investigation led by SOCA and involving 16 UK police forces, six overseas law enforcement agencies, and a number of other UK organisations such as the Crown Prosecution Service and the National Offender Management Service (NOMS). In March, the last of the principals, Philip Baron, was convicted at Liverpool Crown Court. Baron, who is originally from Salford but, had been living in Ireland for 15 years, finally lost his two-year fight against extradition to the UK in November. Among those already sentenced were two of his close criminal associates each of whom headed their own crime group. One of these was Walter Callinan, who had been unlawfully at large for 17 years. During this period he had served a five-year prison term in Spain under a false identity.

In the UK alone there have been a total of 24 convictions in this case, with combined sentences totaling 189 years. There have been 15 successful confiscation orders equating to just under £750,000. There are five confiscation investigations still outstanding, including those against Callinan and Baron.



2012/13 saw some significant interdictions and drug seizures as a result of the highly productive relationship between SOCA and law enforcement authorities in Latin America and the Caribbean. For example, the development of information relating to the departure of a vessel with an unknown quantity of cocaine, from the coast of Uraba in northern Colombia in July led to the seizure of almost 846 kilograms of cocaine off the Caribbean coast of Panama. The information gleaned from this investigation contributed to SOCA's knowledge on cocaine flows, concealment and transport methods, which will assist in the further disruption of the supply of cocaine to the UK.

Fifteen countries in the Caribbean region are now members of the initiative to tackle the bulk movements of cocaine

to Europe by sailing vessel, which was reported last year. Project Latitude is a joint SOCA/UK Border Force initiative in partnership with French Customs, Martinique and 15 Caribbean nations. This year some 2.8 tonnes of cocaine and eight vessels were seized, and 16 arrests were made.<sup>4</sup>

September saw the fifth anniversary of the Maritime Analysis and Operations Centre – Narcotics (MAOC(N)) – which was established in Lisbon in 2007. SOCA has been a key stakeholder in the Centre since its inception. MAOC(N)'s development of intelligence and coordination of interdictions, together with its capacity-building activities in west Africa, particularly Cape Verde, have led to impressive results. In 2012/13, the Centre was involved in the seizure of over seven tonnes of cocaine, almost three tonnes of cannabis and 40 million cigarettes.



### Persistent cocaine trafficker faces more than one jail sentence

A career criminal, who was an international "fixer" for organised crime groups (OCGs) across the world, was sentenced to 28 years' imprisonment in September for his pivotal role in the planned importation of 1.5 tonnes of cocaine to the UK. A tonne of cocaine at the point of importation could, depending on purity, equate to between seven and 14 million street deals of cocaine at £20 to £40 per deal. The man was responsible for assembling the crew to import the cocaine. He also travelled to Trinidad, using a false identity, to buy the vessel for the venture. A multi-agency operation led by SOCA and including MAOC (N) in Lisbon and Ireland's Joint Task Force (An Garda Síochána, Customs and Navy) resulted in the interception of the boat off the south-west coast of Ireland. After completing this latest jail term, the individual faces extradition to France to serve the 13-year sentence he was given in his absence regarding a 4.2 tonne cannabis seizure in French waters in 1989.



<sup>4</sup> As this is a multi-national initiative, the drugs seizures do not form part of SOCA's corporate record.



### Active Pharmaceutical Ingredients (APIs)

A focus on disrupting the supply of substances used to cut cocaine and heroin is key to a sustained impact on the availability of these drugs in the UK.<sup>5</sup> Prices for some APIs have doubled in recent years, due in part to the seizure and destruction of supplies by law enforcement. There has also been a shift in the way in which such substances are described for the purposes of importation. By the end of the year the position was that the vast majority were described as something else.

SOCA activity led to the seizure of 3.1 tonnes and just over 1,200 tablets of APIs in 2012/13.<sup>6</sup> SOCA intelligence and understanding of the market, together with targeted partnership working, led to a considerable increase in seizures of cutting agents by the UK Border Force (UKBF), UK police forces and other partners, as tackling cutting agents became part of mainstream law enforcement activity.

SOCA also continued to target the importers of APIs. Its appreciation of how the grey market operates provides a solid platform from which to coordinate partnership effort to seize, test, detain and destroy suspicious importations of API at the borders, and to capitalise on investigation opportunities for controlled delivery of substances into the hands of illegal drugs traffickers.

SOCA's tactic of writing to individuals who appear to be at the periphery can evidence knowledge of a serious drugs trafficking offence. In a recent conviction, the judge told the defendant: *"This letter (from SOCA) made it absolutely crystal clear that you were under close supervision and were committing a potentially serious criminal offence. You not only ignored that letter, you escalated your trading in these chemicals; the supply of such chemicals is an essential element of the drugs supply chains."*

<sup>5</sup> Benzocaine, lidocaine and phenacetin are most commonly found in UK seizures of cocaine, while paracetamol is mostly encountered as an adulterant for heroin (in combination with caffeine). These substances are selected for specific properties which allow a greater degree of adulteration without any obvious signs of degradation to the product.

<sup>6</sup> Since 2006, SOCA, under Project Kitley, has developed and deployed a range of tactics against the illicit trade in cutting agents, particularly APIs such as benzocaine and lidocaine. Action taken by SOCA in partnership with other agencies including the former UKBA and ACPO forces has increased the risk to traders in such chemicals and led to a substantial decrease in the amount of APIs being imported into the illicit market in the UK. This in turn has led to a decrease in the amount of APIs being seized.

<sup>7</sup> Two other men pleaded guilty and were sentenced in June 2013.

### New Psychoactive Substances (NPS)

Work continued to disrupt the trade in illicit NPS, achieved in part by the specific targeting of individuals known to be engaged in this activity. Ongoing activity directed at importers and suppliers increased this year as SOCA enhanced its understanding of the scale and nature of the trade. SOCA also continued to disrupt the ability of online traders of NPS to operate and identifies those concerned in the sale of NPS categorised as 'controlled' under the Misuse of Drugs Act 1971.

A SOCA project made a significant contribution to support the Government's work to develop the Forensic Early Warning System (FEWS), a national picture of the NPS currently available in the UK in recent years. The intelligence has been used to directly inform policy and legislation.



#### Prison for importer of NPS

An individual in Northern Ireland was sentenced in November to three-and-a-half years' imprisonment for mephedrone trafficking and money laundering offences.<sup>7</sup> Over an 18-month period, he had imported 26 kilograms of the drug from China by post. Mephedrone is a new psychoactive substance which was classified as a Class B controlled drug in April 2010.



## Infrastructure

SOCA undertook a significant amount of activity in support of NCA Transition. This included the transition of the elements of the NPIA, as well as the provision of new systems to enable the early establishment of the shadow NCA: leadership; Border Policing Command; and Joint Operation Team – part of the National Cyber Crime Unit. Pilot work on mobile data solutions progressed well and will improve mobility, supporting a more flexible, resilient and capable operating model.

Last year, Home Office approval was given for SOCA to use the external market to recruit 128 staff through 2012/13. Reflecting the developments in SOCA's operational strategy, these included those wishing to embark on a career as an operational investigator and those already with the skills to operate in specialist areas such as cyber crime. Additionally, a further 25 officers were recruited to the High Potential Development Scheme which enables the Agency to identify and develop those who show particular potential to provide future leadership. The scheme is open to both external and internal applicants and there was a particularly high level of response in terms of both numbers and calibre.

An early exit scheme was carried out, targeted at senior officers in support of the NCA's ambition of a leaner senior management structure and a further realignment of resources to focus on front-line operational delivery. In addition, in line with NCA requirements, SOCA was authorised to recruit 160 operational front-line officers. This recruitment commenced in the last quarter of the 2012/13 financial year.

Despite facing significant challenges associated with having to continue to operate on the legacy ICT infrastructure, SOCA achieved sustainable cost reductions of 10% on the 2012/13 ICT resource budget, with no significant loss of operational capability, and remains on course to achieve the full business case target of 35% savings over the ten-year life of the ICT Modernisation Programme.

As part of SOCA's commitment to inclusion, diversity and equality, the Agency, in conjunction with MIND, the mental health charity, began the delivery of a Mental Health Awareness programme for all officers with line management responsibility. This programme has received outstanding feedback for the ways in which it assists managers to identify signs of mental ill-health in others and the steps they can take to support staff.

During the year, SOCA Finance managed the transfer of two separate parts of the former NPIA into SOCA without significant disruption to either the business or to the officers concerned. Finance arrangements were put in place for two shadow NCA functions, the Organised Crime Coordination Centre and the Border Policing Command, in preparation for the NCA. SOCA's careful budget management throughout the year enabled it to prioritise the use of available funding, including by identifying to the Home Office opportunities to use resources available from elsewhere.

SOCA worked with the Home Office Property Group to introduce new shared facility management service contracts, leading to efficiency savings. SOCA rolled out a programme of infrastructure projects aimed at improvements to operational effectiveness. This included improvements to the estate which enabled partners to be co-located on certain SOCA sites, achieving closer cooperation as well as space efficiencies. Former NPIA units were consolidated into the existing SOCA estate, avoiding further expansion and the long-term annual costs of occupying additional premises in central London.

**Criminal Finances and Profits**

**SOCA continued to disrupt the flow of criminal assets and support the Government’s work to develop a strategic approach to tackling criminal finances. Work undertaken to deprive criminals of their assets and disrupt their businesses continued to be an integral part of operational activity.**

In 2012/13, SOCA used its criminal and civil powers to deny criminals access to £56.9 million. A further £425.6 million was denied by partners as a result of SOCA activity, including £388.9 million overseas.

<i>Assets denied – category</i>	<i>2012/13</i>
Cash Seizures	£4.2m
Restrained Assets (gross)	£23.5m
Assets Frozen (gross – civil and tax powers)	£8.2m
Value of Confiscation Orders obtained	£16.5m
Value of Civil Recovery Orders (including consent orders) (gross)	£4.6m
Value of assets denied by partners (UK)	£36.7m
Value of assets denied by partners (Overseas)	£388.9m
<b>Total assets denied to criminals</b>	<b>£482.6m<sup>8</sup></b>

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**Heroin trafficker forced to pay back significant sum**

In December, a Confiscation Order for £1.8 million was granted against the head of an OCG involved in conspiracy to supply heroin to communities throughout the UK. The individual had been jailed for 18 years in August 2011 following a SOCA investigation into the importation of 488 kilograms of heroin. A Serious Crime Prevention Order (SCPO) was also granted which will make it more difficult for him to re-offend when he is eventually released from prison. The SCPO covers how much cash he can possess as well as restricting his use of cars, premises, computers and mobile telephones.

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In November, the Suspicious Activity Reports (SARs) Annual Report was published. This described what had been

achieved by the end of the current three-year strategy. The number of SARs received rose by 30,000 on the previous year. The report also demonstrated how they were used to support law enforcement activity. SARs users provided a number of good examples in which reports led to successful outcomes. Users also provided details of the value of restraint and confiscation orders and cash seizures where SARs featured in an investigation as follows:

- ▶ the value of restraint orders was at least £108.08 million.
- ▶ the value of confiscation orders obtained was at least £49.80 million.
- ▶ the value of cash seizures was at least £8.64 million.<sup>9</sup>

Through Project Quaver, SOCA worked closely with HMRC, the then Financial Services Authority and other law enforcement agencies in the UK and overseas to reduce the risk of money laundering at Money Service Businesses (MSBs) through exchange and remittance. SOCA built knowledge and led tactical activity including the use of targeted Alerts and interaction with MSBs, trade associations and banks, and by so doing influenced change among wholesale MSBs and major banks who have implemented safeguards. This has begun the process of reducing risk in the sector.

Over the last two years the UK Asset Recovery Office (UKARO) for England and Wales, which sits within the UK Financial Intelligence Unit (UKFIU), has led the UK effort to support countries which have undergone regime change (commonly referred to as the “Arab Spring”) to identify the type, scale and location of assets alleged to have been stolen through corruption by politically exposed persons (PEPs). In 2012/13, the UKFIU and ARO continued to support the activities of other Government departments and operational partners in providing relevant financial intelligence to assist overseas counterparts in securing mutual legal assistance to recover and repatriate stolen assets.

<sup>8</sup> Figures are rounded up/down to one decimal place.

<sup>9</sup> The SARs Annual Report 2012 covers the period from October 2011 to September 2012.



**High-value Confiscation Order for money launderer**

In July, a Confiscation Order for over £1 million and a 15-year Financial Reporting Order were granted against an individual who had controlled the UK arm of an international money laundering OCG. It was estimated that the OCG had the potential to have processed more than £40 million in two-and-a-half years. In total four people have been sentenced to a combined total of 23 years' imprisonment and over £250,000 in cash has been forfeited under this operation.



**UK National Counterfeit Office**

The UK National Counterfeit Office (UKNCO) in SOCA provided assistance on a number of occasions this year, including:

- ▶ assisting the Metropolitan Police Service in identifying an operation with the potential to produce counterfeit coins with a face value of £4 million; and
- ▶ supporting Merseyside Police in a case against three men who were imprisoned in June for a total of 13 years for the production and distribution of counterfeit Bank of England £20 notes. SOCA also assisted Merseyside Police in securing SCPOs against two of the men, which will come into effect for five years upon their release from prison.

**Civil Recovery and Tax**

SOCA's civil recovery and tax powers provide the Agency with additional tools to target criminal assets, often combining civil recovery and tax investigations to maximise impact.

In 2012/13, SOCA received over 130 civil recovery and tax referrals from partners. Almost half of these were made by police forces, with roughly a third generated by SOCA departments. The remainder came from a diverse range of partners such as the Environment Agency, the Financial

Services Authority, the Civil Recovery Unit (Scotland), Trading Standards and HMRC.

SOCA continued vigorously to pursue profits realised from organised crime. For example, in November, the third and final consent order was agreed by the estate of a man who had died in prison before criminal confiscation proceedings could be completed. The orders, two of which were made in previous years, came to a net total value of £750,000. The subject had originally been convicted in 2008 for a number of drug offences and sentenced to 18 months' imprisonment.



**Three properties handed over to settle SOCA claim**

In October, SOCA was granted a Consent Order against the family of a convicted drug trafficker in a case referred by the Metropolitan Police Service in 2008. In its civil recovery application SOCA submitted that Robert Townsend had funded the majority of his family's assets through drug trafficking. He and his family agreed to settle SOCA's claim by handing over three houses, two in Surrey and one in south London. The gross value of the properties was approximately £785,000.



## Cyber Crime

***SOCA's activity on cyber crime this year focused on enhancing its own capabilities to tackle cyber and technology-enabled crime and deploying these capabilities to cause maximum disruption to those who engage in this activity.***

SOCA began the first phase of its work to mainstream cyber capabilities as part of its commitment under the Government's National Cyber Security Programme (NCSP). This included the deployment of cyber liaison officers in key locations overseas which has led to new and improved partnerships, better leverage, increased intelligence-sharing and more effective operational responses.

Joint working in advance of the NCA and the creation of its National Cyber Crime Unit (NCCU) has seen SOCA regularly work collaboratively with the Metropolitan Police's Central e-crime Unit (PCeU). A joint investigation into an individual believed to be laundering up to £1 million online led to two arrests for money laundering and cyber-related fraud offences. Joint working focused on financial investigation and forensic examination of devices and provided a good model for future closer collaboration.

As part of a global 'day of action', 36 website domains used to sell compromised credit card data and data from 26 e-commerce type platforms known as AVCs were seized by the US Department of Justice working with SOCA. The AVCs allowed criminals to sell large quantities of stolen data quickly and easily. Visitors trying to access these sites were directed to a page indicating that the web domain was under the control of law enforcement. In searching two London addresses, SOCA officers recovered a number of computers and data storage devices. The recovered data was shared with UK and overseas financial institutions to help prevent potential fraud and mitigate the impact of the data thefts. In addition, as a result of SOCA Alerts issued, a further 44 AVCs were taken down. Retailers ultimately pay the cost of fraudulent card transactions which impact directly on the economy. Individuals also suffer when identity theft results from the trade in illegally-acquired personal information.



### **New tactics deter would-be 'carders'**

In February, using new tactics, SOCA sought to disrupt the activities of the low-level registered members of two criminal sites with the aim of deterring them from progressing to more serious criminality. SOCA contacted thousands of customers of the sites via email or a personal visit to make them aware of the implications of what they were doing and thereby dissuade them from further activity.

SOCA, in conjunction with the Dedicated Cheque and Plastic Crime Unit (DCPCU) arrested four 'carders' who were suspected of direct involvement in bank fraud and other offences. In addition, Automated Vending Carts<sup>10</sup> (AVCs) in the UK were taken down and others were referred to the relevant authorities overseas for action.



<sup>10</sup> Automated Vending Cart is a term coined by SOCA (and now adopted internationally) to describe 'click and buy' e-commerce websites that automate the sale of compromised personal financial data.

### Firearms

***This year SOCA continued to build on the knowledge and understanding of the threat from firearms-related crime in the UK and the supply, distribution and use of firearms to ensure that activity is aligned to the threat.***

SOCA continued to work closely with the relevant agencies, including UK police forces and the National Ballistics Intelligence Service (NABIS) and supported partners in operational activity where there was a firearms threat.

Details of firearms and ammunition seizures are given in the Appendix.

This year saw the culmination of a joint operation with Greater Manchester Police to target an OCG involved in the importation and distribution of firearms in north-west England and throughout the UK. In all, six defendants were sentenced to varying terms of imprisonment totaling 34 years and nine months for their part in the activity. The operation also resulted in the seizure of a VZOR handgun, five rounds of ammunition, an unmarked revolver and a quantity of Class B drugs.

Following a recommendation in late 2010 by the Home Affairs Select Committee for the introduction of new offences relating to the importation and supply of firearms, SOCA continued to highlight the need for legislative change, both directly and through the Firearms Threat Reduction Board. SOCA was among those providing comment and evidence in response to the formal Government consultation paper. In October, the Government announced its intention to introduce a new offence of possessing a firearm with intent to supply – with a maximum penalty of life imprisonment, and also to increase to life imprisonment the maximum sentence for the importation of an illegal firearm.



## Organised Immigration Crime

***SOCA continued to work with law enforcement agencies, particular in source and transit countries, building on effective partnerships facilitated by the SOCA Liaison Officer network. SOCA's work resulted in the identification of people smugglers and the apprehension of illegal migrants.***

The number of illegal migrants detained upstream as a result of SOCA activity was significantly higher than in previous years. Figures are given in the Appendix.



### Upstream impact on illegal migration

SOCA intelligence led to the arrest of in excess of 40 suspected people smugglers and the detention of over 600 illegal migrants by the Turkish National Police (TNP) in spring 2012. The intelligence concerned an Istanbul-based people smuggling network which was organising the clandestine overland facilitation of illegal migrants from Pakistan and Afghanistan into Greece. The OCG was also believed to have used threats and violence against the migrants en route to extort additional money from them and their families.



As part of its activity to tackle the enablers of organised immigration crime, SOCA worked with the former UK Border Agency (UKBA) and the Identity and Passport Service (IPS) to address the use of British passports containing counterfeit biographical details pages by illegal migrants attempting to travel to the UK by air. A criminal market in which genuine British passports were being sourced and sent overseas was uncovered. SOCA worked with partners to identify UK passports destined to be used in connection with organised immigration crime and to take appropriate measures to deny the use of these passports to organised crime groups.

The UK Human Trafficking Centre (UKHTC) provided support, advice and assistance to partners during the year, including to Kent Police and the Gangmaster Licensing

Authority (GLA) in an investigation into human trafficking and money laundering. The 29 victims had responded to adverts on a Lithuanian website for work in the UK. They paid for travel to the UK but once they arrived were forced to live in squalid conditions and work for minimal payment. Violence and threats were used against the individuals to 'keep them in line'.

The investigation by Bedfordshire Police reported last year resulted in the first UK conviction for slavery in 200 years, when a married couple were imprisoned in October for a total of 15 years for exploiting destitute men by forcing them into a life of servitude. The UKHTC provided expert operational and tactical advice and victim management. SOCA's Vulnerable Persons Team (VPT) and its cadre of specialist witness interviewers, who are trained to obtain direct evidence from victims of human trafficking, also provided support to the investigation.



### Lengthy prison sentence for people smuggler

SOCA worked with several UK and overseas partners, including the former UKBA to secure the conviction in February of the head of an organised crime group responsible for facilitating the illegal entry of Ukrainians into the UK. Andrey Kytz received eight and a half years' imprisonment for having facilitated the entry of over 40 people. They were brought by air into Gatwick and sought to abuse the 'transit without visa' provision. During sentencing Judge Statman told Kytz this "was a premier league sophisticated enterprise which existed for one reason, commercial gain. You were a principal, not a lieutenant, in this venture."



## Fraud

***SOCA's approach to tackling fraud centered around working with partners to identify opportunities to raise awareness of fraud and to share with industry knowledge and best practice on how to prevent it and mitigate its impact.***

SOCA continued to tackle the threat from mass marketing fraud (MMF) by focusing on the key levers which enable organised criminals to conduct the fraud. Money Service Businesses (MSBs) are one such enabler. SOCA analysed information provided by a major MSB about all payments made over a six-month period from a sample area in the UK. This resulted in the identification of a large number of victims and established that a high percentage of the payments were associated with fraud.

SOCA produced a victim profile which is now being used by the MSB to identify victims of fraud and determine when a Suspicious Activity Report (SAR) should be raised. SARs submitted by the MSB in question almost tripled as a result. SOCA also provided advice on checking identity documents and on ways to prevent abuse and identified some vulnerabilities in the MSB's systems, allowing it to strengthen its ability to protect victims and deny mass market fraudsters the opportunity to obtain payment.

SOCA also contributed resources and expertise to the prevention of fraud carried out in connection with the London 2012 Olympics and Paralympics. More information on this can be found later in the report.

SOCA continued systematically to target the criminal trade in stolen financial information. In 2012/13, SOCA and its partners returned over 1.5 million items of compromised data to the financial sector, both in the UK and internationally, thereby preventing potential economic loss estimated to be over £300 million. This data was used by UK and overseas banks and payment processing bodies to prevent fraud and to identify and take action where data loss and security breaches occurred. This combined approach between law enforcement, industry bodies and financial

institutions enabled the institutions to bolster their anti-fraud mechanisms. The success of this process has encouraged law enforcement colleagues in the UK and overseas to adopt a similar approach.



### High value mortgage fraud uncovered

A suspected drug trafficker and three associates including a complicit mortgage broker were sentenced for a total of 13 and-a-half years in March on theft, fraud and money laundering charges. The SOCA investigation, in partnership with the Crown Prosecution Service, the then Financial Services Authority, HM Revenue and Customs, the Department for Work and Pensions, Essex and Metropolitan police forces, the Gambling Commission and the Dutch and Spanish authorities, had originally targeted drug supply activity but insufficient evidence necessitated a change of focus to the trafficker's finances. SOCA intelligence showed that the principal subject had fraudulently obtained several mortgages enabled through the complicit mortgage broker. The mortgage broker pleaded guilty to obtaining fraudulent mortgages worth £8 million for a number of clients.



### **Lifetime Management and tackling other enablers of organised crime**

***SOCA's lifetime management regime continued to ensure constant and systematic activity against all its Persons of Interest (Pols). The number of SOCA Pols increased during 2012/13 to around 7,500. SOCA's lifetime management programme provides a structure through which all SOCA's Pols are subject to a tiered operational response. This response includes the individual monitoring of those who are subject to ancillary orders, as well as preventative measures to stem the ability of criminals to carry on their businesses, even when in prison.***

#### Ancillary orders

The number of ancillary orders imposed in SOCA cases this year increased as more convicted criminals became subject to bespoke orders which significantly restrict their freedom to continue their criminal activity. This year saw 48 Serious Crime Prevention Orders (SCPOs) awarded – the highest number yet. In total, 69 SCPOs, Financial Reporting Orders and Travel Restriction Orders were awarded this year; a breakdown of these can be found in the Appendix.



### **Breach investigation leads to further convictions**

SOCA's investigation into suspected breaches of an SCPO by Darren Molloy-Herat led directly to the discovery of a conspiracy to produce a Class B drug. Molloy-Herat and two others were convicted of this offence and the wider organised crime group was dismantled. Molloy-Herat was originally imprisoned for trading in stolen identities and credit card details and had only been released from prison in 2010. SOCA's monitoring of his compliance with his SCPO indicated that he was breaching several terms of the Order. A formal investigation subsequently confirmed that he was continuing his fraudulent activity as well as conspiring to cultivate cannabis. He received a sentence of 16 months' imprisonment for breaching the SCPO, reflecting the seriousness with which the courts view such offences, and a further 15 months for his part in the drugs conspiracy. Molloy-Herat's SCPO was re-issued with additional terms to address the enabling factors of his latest criminality.



#### Work in prisons

SOCA's relationship with the National Offender Management Service (NOMS) is now one of its most effective and mature engagements. SOCA's work in prisons, in conjunction with NOMS, continued to allow better risk-based decisions regarding the management of imprisoned SOCA Pols. Over the past year this process has been extended to Probation Trusts, with details of all Pols released from prison now systematically shared with the relevant Trust and police force.

The illegal use of mobile telephones in prison continued to be a key criminal enabler. Over the past year, SOCA supported NOMS in developing an effective mobile telephone strategy. Any SOCA Pol found in the possession of a communication device will now be prosecuted.

## Scotland and Northern Ireland

***Responsibilities for crime and policing are devolved matters in both Scotland and Northern Ireland. SOCA works with the respective authorities and law enforcement bodies to agree specific priorities that contribute to the combined effort to tackle organised crime as it affects those jurisdictions, as well as tackling the issues that affect the whole of the UK.***

### Scotland

In Scotland, SOCA is a member of the Serious Organised Crime Task Force and participated in the former Association of Chief Police Officers in Scotland (ACPOS) Crime Business Area.<sup>11</sup> These fora are vital for SOCA to ensure that its activities meet local and regional priorities and complement the activities carried out by partners.

In Scotland, partnership working is the key to SOCA's effectiveness, both in terms of local impact within the Scottish jurisdiction and in addressing the wider threat from organised crime across the UK and abroad. During the past year, SOCA has provided substantial support to Scottish policing partners, particularly in respect of the deployment of operational assets outside the borders of Scotland.

For example, SOCA provided Strathclyde Police with covert surveillance support in England over a period of six months which gathered significant evidence contributing to the dismantlement of an organised crime group involved in the distribution of Class A and B drugs to communities in Scotland. SOCA also worked in collaboration with the Scottish Crime and Drug Enforcement Agency resulting in arrests and significant seizures of cannabis and heroin.

In July, SOCA provided support to Tayside Police in connection with the trafficking of a young Slovak couple, who were ostensibly brought to the UK to force the female into marrying a foreign national. Following the safe recovery

of the victims and successful prosecution of the perpetrators, a letter was received from the Deputy Chief Constable of Tayside Police thanking SOCA for *"the hard work and dedication shown by SOCA officers whose efforts were significant in the recovery of our victims."* He went on to say *"This required considerable flexibility on the part of the Agency and of individual officers and I hope you will pass on to your officers my appreciation of their commitment and contribution."*

In late 2012, SOCA and Strathclyde Police worked collaboratively on an initiative to trace fugitives from the Scottish legal system, thought to be residing in southern Spain. This initiative required considerable support from the SOCA overseas liaison network and resulted in a number of Strathclyde Police officers conducting overt enquiries along with Spanish police colleagues in southern Spain. The initiative, the first of its kind for Scotland, was deemed a success and joint work continues to be developed in this area.

The Scottish Crime Campus at Gartcosh will be completed in late 2013. It will house among others the Police Service of Scotland as well as officers from HMRC and the Crown Office and Procurator Fiscal Service (COPFS). It is likely that the NCA will be based there from early 2014. Co-location will bring significant benefits to all those concerned with tackling organised crime by facilitating joint operations, enabling the pooling of skills and resources and enabling the sharing of intelligence across all agencies.

### Northern Ireland

SOCA's membership of the Organised Crime Task Force (OCTF) in Northern Ireland is key to the alignment of SOCA's activities in Northern Ireland with specific priorities at local and national level. SOCA participates in partner Strategic and Tactical meetings and has staff embedded in the Regional Intelligence Unit within the Police Service of Northern Ireland (PSNI) to facilitate partnership working.

<sup>11</sup> ACPOS ceased to exist on 31 March 2013, with the creation of Police Scotland.

Highlights in Northern Ireland included the following:

- ▶ A SOCA-led investigation into the online purchasing of Class A and B drugs. The drugs, including ecstasy and amphetamine, were for distribution in Northern Ireland and throughout the UK. One man from County Down was arrested in November and charged with possession with intent to supply a Class A and B drug and money laundering.
- ▶ In December, in a case referred by the PSNI, SOCA was granted a Consent Order against the estate of a convicted County Armagh drug dealer. SOCA submitted that James Halliday, who fled to Thailand in 2006, obtained two properties in Northern Ireland through unlawful conduct, namely drug dealing and tax evasion. The executor of Halliday's estate agreed to settle SOCA's civil proceedings by transferring to SOCA the proceeds of the sale of the properties totaling over £100,000.
- ▶ As part of the SOCA-led investigation in Northern Ireland reported on page 14, a further individual was charged in June with offences relating to the importation and supply of mephedrone. Working in partnership with An Garda Síochána, two individuals, a man and a woman, were arrested in the Republic of Ireland, following the seizure of approximately 12 kilograms of mephedrone.
- ▶ SOCA was granted a Recovery Order in Belfast High Court in respect of the assets of a County Antrim couple who allegedly traded as illegal money lenders. In February, a settlement was reached with Raymond and Sharon Murray whereby assets including a house in County Antrim and monies held in two bank accounts were transferred to SOCA.

### Working with Partners

In 2012/13, 98% of 549 requests for assistance received from partners were met.

Due to the unusually high passenger numbers arriving in the UK over the summer months, and in particular due to

the London 2012 Olympic and Paralympic Games, SOCA provided staff to assist UK Border Force. Thirty SOCA officers were trained and deployed, covering 589 shifts between July and September, operating the frontline control at major ports of entry.

SOCA trainee investigators provided assistance to ACPO operations, including supporting regional organised crime investigations around the country. Trainee investigator activity resulted in 134 arrests during 2012/13.

In September, the Chief Constable of Dorset Police wrote to SOCA's Director General to express his gratitude for the assistance provided by SOCA's surveillance resources during a recent murder investigation. He commented: *"Critical to the success of this investigation was the support and co-operation of your team, not least their outstanding leadership and professionalism."*

### Reporting

In 2012/13, SOCA produced 133 pieces of assessed reporting. Feedback on assessed reporting continued to be received from a variety of senior external parties and from a wide geographic spread. SOCA reporting was wide-ranging, for example forensic reporting on the analysis of drug samples which helped to inform policy makers at the Home Office and medical practitioners responsible for developing treatment services. Reporting on firearms, criminal finances and human trafficking also received positive feedback. Quarterly threat updates continued to be produced to update the picture with respect to specific threat areas. These focused increasingly on the regional as well as the national picture, and proved useful for police forces.

SOCA Alerts warn of specific or generic dangers and threats from organised criminals based on assessed intelligence. They are targeted at specific organisations across the public and private sectors based on their need or ability to act on the information provided. Some SOCA Alerts indicate specific threats and may require direct action; others are designed to raise awareness or complement existing knowledge of a threat or new criminal technique.

In 2012/13, SOCA issued 205 Alerts, including data releases detailing thousands of compromised bank cards, accounts and other personal data, to allow remedial action to be taken. They built a knowledge base that allowed preventative measures to be put in place, thereby disrupting organised crime. The Alerts, often in collaboration with partner agencies, included the following:

- ▶ warning the higher education sector of the recruitment of students and young people by boiler room fraudsters. ‘Boiler room fraud’ is a term used where victims are cold-called by brokers and deceived into investing in valueless, over-priced or non-existent commodities. SOCA identified that recruitment was being aimed at students and young people. The Alert helped the higher education sector recognise boiler room job adverts so that students could avoid applying for such roles either during or after their studies;
- ▶ informing companies believed to have been targeted with CITADEL malware (used to harvest personal and financial data). By providing this information, companies were able to take direct action to deny and frustrate the attempts;
- ▶ providing details of foreign criminals known to be seeking fraudulently to secure loans and/or guarantees from UK financial institutions to protect them from fraud; and
- ▶ a joint alert with the Department of Work and Pensions with significant input from Westminster City Council to raise awareness of the key enablers of housing benefit and disability living allowance fraud. This resulted in the recommendation of a number of intervention opportunities to assist partners in reducing the number of fraudulent claims.

SOCA coordinated and prepared regular horizon scanning reports on organised crime for Ministers, policy and law enforcement partners. The first annual horizon scan was presented to partners in September. Quarterly thematic horizon scan reporting then followed, dealing with specific threat areas. This was an action for SOCA under the

Government’s Organised Crime Strategy (OCS): *Local to Global: reducing the Risk from Organised Crime*, published in July 2011.

### New support and expertise functions

On 1 April 2012, five functions from the National Policing Improvement Agency (NPIA) transferred into SOCA, pending the creation of the NCA. These were:

- i) the Central Witness Bureau, which provides strategic and practical assistance to officers supporting protected persons and drives improvement and standardisation of support across the UK;
- ii) the UK Missing Persons Bureau, the UK’s national and international point of contact for all missing persons and cases of unidentified bodies. The Bureau assists police forces with missing person investigations, and with the identification of bodies and remains;
- iii) the Serious Crime Analysis Section, containing crime analysts and specialist police staff who analyse rape and serious sexual assaults, and motiveless or sexually motivated murder cases;
- iv) the Specialist Operations Centre, which provides UK policing with information, advice and support in relation to surveillance law, major crime and vulnerable and intimidated witnesses in four key areas: specialist research, covert advice, witness intermediary and crime; and
- v) the Crime Operational Support Unit which supports major crime investigations with specialist operational capacity, including crime investigations officers, behavioural investigative advisors, geographic profilers and national advisors in search, interview, family liaison and forensic techniques.

Among the achievements of these functions this year were the following:

- ▶ extensive tactical and strategic support provided by the Specialist Operations Centre and the Crime Operational Support Unit in complex high-profile cases such as the abduction and murder of April Jones in Wales and the deaths of six children in a house fire in Derbyshire;
- ▶ the launch in November of the new Missing Persons website, which resulted in a positive identification within 24 hours of the site going live;
- ▶ a detailed analysis by the Serious Crime Analysis Section of the offence behaviour of a previously convicted murderer and sex offender, leading to a further conviction and lengthy sentence for rape; and
- ▶ work by the Central Witness Service to support the development of the UK Protected Persons' Service, which will come into effect in late 2013.

Additionally in November, SOCA agreed to carry out the administration of the Proceeds of Crime Centre (PoCC), although the NPIA retains the statutory responsibility. PoCC is responsible for the training, accreditation and monitoring the performance of the UK's financial investigators working throughout the regulated sector, including SOCA.

### **London 2012 Olympic and Paralympic Games**

SOCA made a significant contribution to the safety and security of the Games. SOCA officers were located in both the Olympic Intelligence Centre and the National Olympic Coordination Centre and shared information with the organiser LOCOG to prevent ticket-related fraud and help minimise ticket touting. SOCA also contributed to the conduct of background checks on all Games accreditation applications. Other elements of support provided by SOCA were:

- ▶ advice and assistance in relation to ticket design and the enforcement of intellectual property rights;

- ▶ a series of seminars for private industry on product contamination;
- ▶ an on-call 'standby' out of hours service for 18 weeks, covering the pre- and post-games periods; and
- ▶ specialist surveillance support.

### **Specialist Support**

#### **i) Firearms**

SOCA firearms officers were deployed in support of SOCA's own operational activity and that of law enforcement partners. Of the 76 instances of firearms deployments during the year, 30 were in response to requests from partners.

#### **ii) Kidnap and Extortion**

SOCA's Anti-Kidnap and Extortion Unit (AKEU) continued to provide support, advice and tactical expertise in cases of kidnap, blackmail and product contamination. SOCA received reports of 445 kidnaps, 97 cases of blackmail and 20 cases of product contamination.

SOCA was instrumental in the resolution of some high-profile kidnap cases, including the release of a British UN aid worker who was kidnapped in Sudan in May and that of a British woman who was held in captivity for eight days in Haiti in August.

SOCA received 173 threats to life reports, 48 of these were made by police forces and other partners, the majority, however, arose from SOCA intelligence linked to operational activity.

Staff working in SOCA's Threats to Life Team were responsible for the development of the *ACPO National Threats to Life Guidance 2012*, which was formally ratified in January 2013. This guidance, for all police forces in England and Wales, was supplemented by a national e-learning package, also developed by SOCA.

### iii) Corruption

SOCA provided assistance to partners' corruption investigations on 40 occasions; covert operational support in 22 corruption investigations; and tactical advice in 18 corruption investigations.

SOCA engaged with overseas law enforcement partners during the year to provide advice and assist with capability development, including the development and delivery of training. For example in January, 40 Romanian and Bulgarian police officers were trained in anti-corruption tactics and techniques by SOCA in partnership with colleagues from Belgium and Austria.

In October, in response to a commitment in the Government's Organised Crime Strategy, SOCA produced a national threat assessment on the extent of corruption by organised criminals in the public and private sectors together with recommendations to tackle the threat. This informed strategic planning in relation to corruption-enabling organised crime in the private and public sectors, across government and amongst partners both domestically and internationally.

### iv) Fugitives

Following the success of initiatives in Spain and the Netherlands, this year saw the launch of Operation Zygus, in conjunction with Crimestoppers and the Cypriot Police, which targets fugitives from British justice who are believed to be residing in Cyprus. The names of nine such people were published in September and by the end of 2012/13 three had been arrested and returned to the UK. The first arrest, a man from Oldham, wanted for alleged sexual offences against a child, was made within 28 hours of the launch. Two further arrests were made within the first three weeks of the campaign when a man and his partner handed themselves in to the authorities. The man had been

convicted of causing death by dangerous driving in 2005, and his partner of perverting the course of justice.



#### Fugitive returned to face justice

In January, a fugitive drug trafficker was sentenced to 24 years' imprisonment for his role in a conspiracy to supply 299 kilograms of high-purity cocaine. Jose Pineda Grajales, originally from Colombia, fled to Spain in April 2009 during a SOCA investigation in which three of his associates were arrested and sentenced to lengthy periods of imprisonment. Pineda Grajales was tracked down and arrested by the Spanish authorities. He was returned to the UK and convicted.



### v) Expert evidence<sup>12</sup>

SOCA provided expert evidence in a long-running case against an OCG in north-west England. This consisted of 'translating' the recordings obtained via covert techniques into a more understandable language. This included decoding the slang used to describe the products that the OCG was dealing in, for example "*little fellas*" (ecstasy tablets). The expert evidence also added context to the repeated use of the word "*quid*" and in doing so demonstrated that conversations regarding cash proceeds and value of their drug ventures regularly referred to tens and hundreds of thousands of pounds. Expert evidence to this investigation demonstrated that specific conversations concerned the detail of particular drug consignment seizures and background to the drugs markets in which the OCG was involved, including details of purity and wholesale value.

### Piracy

February saw the official opening by Alistair Burt, the Parliamentary Under Secretary of State at the Foreign and Commonwealth Office, of the Regional Anti-Piracy Prosecution and Intelligence Coordination Centre (RAPPICC)

<sup>12</sup> The evidence of an expert is designed to provide evidential support to a prosecution case or financial hearing and to de-mystify certain complex material that might otherwise be beyond the capability of the court to understand in isolation. The court is not bound by such evidence, but may consider it in its decision making obligations. Expert evidence is a facility available to both prosecution and defence teams within the court based legal system.



## Part One – SOCA Successes in 2012/13

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in the Seychelles. The RAPPICC will bring together experts from around the world to share intelligence and information which will help tackle the perpetrators and financiers of piracy. The RAPPICC's first director is a SOCA officer who is on secondment to the centre, which is staffed by a number of international partners. SOCA further supported the centre with the provision of intelligence and training.

**Part Two: Statement of Accounts 2012/13**



### Management Commentary

#### Statutory Background

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

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

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

On 1 April 2008, the Assets Recovery Agency (ARA) merged with SOCA and this merger resulted in new civil recovery and tax arrangements within SOCA. ARA as an entity ceased to exist on 31 March 2008.

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

In June 2011, the Government published its plan for the creation of the National Crime Agency (NCA). The Crime and Courts Bill, which includes the creation of the NCA, secured Royal Assent on 25 April 2013. The NCA will come into being in late 2013. SOCA will support the new Agency and its designate Director General in shadow form until this time.

On 1 April 2012, five functions from the former National Policing Improvement Agency (NPIA) merged with SOCA and one additional function merged with SOCA on 1 November 2012. This increased SOCA staff by 160.

With effect from 1 November 2012, SOCA agreed to carry out the administration of the Proceeds of Crime Centre under the Proceeds of Crime Act (as amended) (PoCA) for the National Policing Improvement Agency (NPIA). The NPIA retains the statutory responsibility to provide the training, accreditation and monitoring of Financial Investigation rights under PoCA. Parliament expects the business, costs, income and balance sheet of the Proceeds of Crime Centre (PoCC) will be reported by the NPIA. Thus SOCA and the NPIA have agreed the business of PoCC will be reported under the NPIA not SOCA in the financial year 2012/13 Annual Report and Accounts. Non-financial data relating to PoCC, for example, staff headcount, is also excluded from the Accounts. Although the administration for PoCC transferred to SOCA on 1 November 2012, the actual legal transfer will be deferred until the dissolution of SOCA, when PoCC will transfer, under the Crime and Courts Bill, to the National Crime Agency.

## Part Two: Statement of Accounts 2012/13

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The Organised Crime Coordination Centre (OCCC) is a new multi-agency team based within SOCA, established in the financial year 2012/13. The centre is viewed by HM Government as a vital tool in the fight against organised crime and, as part of a wider NCA intelligence hub. The OCCC was funded by the Home Office separately from Grant-in-Aid.

The Shadow Border Policing Command (sBPC) was established by SOCA in financial year 2012/13. The sBPC arrangements are intended to deliver early practical strengthening of the UK border and to prove the concept and inform the design of the Border Policing Command in the National Crime Agency. The sBPC was funded by the Home Office separately from Grant-in-Aid.

### Statement of Purpose and Vision

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

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

In 2012/13, SOCA's approach continued to reflect the strategic priorities set for the Agency by the Home Secretary. It also reflected a number of wider strategies, in particular relevant sections of the National Security Strategy (NSS), as well as strategies produced in Scotland and in Northern Ireland in respect of tackling organised crime.

In response to these requirements, the SOCA Board set the following priorities for activity in 2012/13:

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

In addition, SOCA would:

- ▶ support the seamless transition of SOCA into the NCA while maintaining the tempo of SOCA's operational activity.

### Principal Activities

SOCA's functions are set out in the Serious Organised Crime and Police Act 2005 (SOCPA) and (in relation to civil recovery functions) in the Proceeds of Crime Act 2002 (as amended by the Serious Crime Act 2007). In respect of serious organised crime SOCA has the functions of:<sup>13</sup>

- ▶ preventing and detecting serious organised crime, and

<sup>13</sup> SOCPA 2005, S2.

## Part Two: Statement of Accounts 2012/13

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- ▶ contributing to the reduction of such crime in other ways and to the mitigation of its consequences.

In respect of information relating to crime, SOCA has the function of gathering, storing, analysing and disseminating information relevant to:

- ▶ the prevention, detection, investigation or prosecution of offences, or
- ▶ the reduction of crime in other ways or the mitigation of its consequences.

SOCA works in close collaboration with UK intelligence and law enforcement partners, notably UK police forces, including through the implementation of the 'Integrated Operating Model', HM Revenue and Customs (HMRC), the former UK Border Agency (UKBA) and the UK Border Force; the wider public, private and third sectors; and equivalent bodies internationally.

SOCA provides and manages, on behalf of the UK, the Suspicious Activity Reports (SARs) regime, the UK Financial Intelligence Unit, the Interpol and Europol Bureau functions, one of the two UK Central Authorities for the European Arrest Warrant regime, the National Compromise Database and other similar roles.

During 2011/12, SOCA worked closely with its partners to develop the newly-established Threat Reduction Boards (TRBs) which reflect the key threat areas set out in the United Kingdom Threat Assessment (UKTA) and support the Government's Organised Crime Strategy. In 2012/13, during the first full year of operation of the TRBs, SOCA continued to underpin the multi-agency efforts in accordance with the Threat Reduction Board Control Strategy, by identifying the threats and ensuring they were captured through the quarterly regular threat updates, as well as assisting in co-ordinating the planning to mitigate their effects.

The Home Secretary announced in December 2011 her intention to transfer key national critical operational functions from the National Policing Improvement Agency (NPIA) to the NCA.<sup>14</sup> In the interim, in advance of the establishment of the NCA, the Home Secretary directed that those functions should move to SOCA, one of the major precursor bodies to the NCA. These functions are now successfully embedded within SOCA. Over the course of the year, SOCA welcomed 160 staff from the former NPIA who will transfer into the NCA.

<sup>14</sup> Crime Operational Support; Specialist Operations Centre; Central Witness Bureau; Serious Crime Analysis Section; the National Missing Persons Bureau; and Proceeds of Crime Centre (PoCC) (statutory responsibility for this function remains with the NPIA until the Crime and Courts Bill takes effect and the NCA becomes operational.)

\* Capital grants are accounted for as income in the year they are received.

## Part Two: Statement of Accounts 2012/13

### Results for the year and financial position

<i>Funding Source</i>	<i>Resource Expenditure 2012/13</i>			<i>Capital Expenditure 2012/13</i>			<i>Overall Underspend Of DEL Allocations £m</i>
	<i>Budget £m</i>	<i>Actual £m</i>	<i>Over/ (Under) Spend £m</i>	<i>Budget £m</i>	<i>Actual £m</i>	<i>Over/ (Under) Spend £m</i>	
DEL Allocations	405.0	397.2	(7.8)	22.2	23.5	1.3	(6.5)
AME Expenditure Approval	17.0	13.4	(3.6)	-	-	-	
Externally Funded Capital Projects	-	-	-	4.0	4.0	0.0	
<b>Sub Total – Budget Comparisons</b>	<b>422.0</b>	<b>410.6</b>	<b>(11.4)</b>	<b>26.2</b>	<b>27.5</b>	<b>1.3</b>	
Funding for non DEL projects	-	(4.3)	-	-	-	-	
AME for Revaluation Reserve		(1.0)			-		
Actual pension costs		31.5			-		
Pension actuarial loss		13.2					
Pension employer contribution		(4.8)					
<b>Total Expenditure Per Accounts</b>		<b>445.2</b>			<b>27.5</b>		

SOCA controls expenditure against four different reporting categories, the most significant of which is the Departmental Expenditure Limit (DEL) budget that is allocated annually for resource and capital. In 2012/13 SOCA underspent its resource DEL allocation by £7.8m (2011/12: £6.5m) and overspent its capital allocation by £1.3m (2011/12: £0.8m) with Home Office approval. Overall, DEL allocations were underspent by £6.5m (2011/12: £5.7m).

SOCA's DEL budget reduced year on year by £11.6m to £405m for Resource-related spend and reduced by £9.1m to £22.2m for Capital-related spend to reflect the austerity measures being implemented by the Home Office.

SOCA underspent its resource delegated budget by £7.8m, primarily due to delays in recruitment and staff turnover. SOCA also reacted positively to the budget pressures by reducing agency staff, contract staff and overseas staff and by implementing, in successive years, HM Treasury-approved early exit opportunities for senior staff. Internal restructuring has ensured best use of funds and staff resources available. Operating expenditure reduced by £12.1m year on year mainly due to significant savings in ICT through robust contract management.

Capital expenditure focused on modernisation of SOCA's IT capability to enable SOCA to improve operational effectiveness.

Annually Managed Expenditure (AME) budgets relate to volatile expenditure managed outside DEL budgets for which cover is provided by the Home Office. In 2012/13, AME expenditure reported by SOCA included property revaluation of freehold buildings and movements in Legal, Lease, Bad Debt and Dilapidation provisions. The creation of a provision is a charge to AME whereas expenditure incurred in relation to a provision is treated as DEL.

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

IAS19 (Accounting for Pension Costs) expenditure incorporates the current service cost net of employee contributions and interest costs on pension liabilities. Expenditure in 2012/13 is £31.54m (2011/12: £35.97m).

## Part Two: Statement of Accounts 2012/13

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### Going Concern Statement

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

The Statement of Financial Position at 31 March 2013 shows net liabilities of £434.1m (2011/12: £313.4m). This reflects the inclusion of pension liabilities falling due in future years which, to the extent that they are not met from SOCA's other sources of income, may only be met by future grants or Grant-in-Aid from the Home Office, SOCA's sponsoring department. The liability occurs under the normal conventions applying to Parliamentary control over income and expenditure; such grants may not be issued until the liability falls due.

Grants and Grant-in-Aid for 2013/14, taking into account the amounts required to meet SOCA's liabilities falling due in that year, have already been included in the Home Office's estimates for that year. These have been approved by Parliament and there is no reason to believe the Home Office's future sponsorship and future Parliamentary approval will not be forthcoming.

The Government published in June 2011 its plans for the creation of the National Crime Agency (NCA) which will come into being in late 2013. This will incorporate the functions, currently exercised by SOCA, a Non-Departmental Public Body, as well as a number of other national policing functions including an Economic Crime Command and Border Policing Command, which was outlined in the Coalition Agreement. The Home Secretary has outlined her plans for the new agency, and legislation proposing the dissolution of SOCA and the transfer of its functions to the NCA achieved Royal Assent on 25 April 2013. The basis of the transfer from the Serious Organised Crime Agency to the National Crime Agency is proposed to be undertaken within the principles set out in the Machinery of Government framework. It has, therefore, been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

The NCA will be a Non-Ministerial Department and as such will be funded by HM Treasury. The NCA will be accountable to the Home Secretary for its performance.

### Financial Instruments

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

### Remuneration of the External Auditors

The remuneration for National Audit Office is disclosed in note 4 of the accounts totalling £0.132m (2011/12: £0.132m).

### Compliance with Public Sector Payment Policy

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

## Part Two: Statement of Accounts 2012/13

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<i>Payment statistics at 31 March:</i>	<i>2012/13 (%)</i>	<i>2011/12 (%)</i>
Paid within 5 days	22	17
Paid within 10 days	42	40
Paid within 30 days	95	93

In 2012/13, SOCA paid £1k (2011/12: £nil) interest to suppliers under the Late Payment of Commercial Debts (Interest) Act 1998. The £1k was recovered from another Government Department.

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

### SOCA Sustainability Report 2012/13

#### Introduction

This is SOCA's second Sustainability Report. Sustainability in SOCA is important and the organisation continues to be committed to reducing its impact on the environment. This is achieved by setting targets and monitoring performance through its Sustainability Strategy, which is part of SOCA's overall Investment & Capability Strategy. Statutory requirements and performance measures provide a structure through which progress can be monitored. The transfer of functions from other Departments has affected the figures shown in this report for 2012/13.

The objective of the Sustainability Strategy is to reduce the environmental impact of the organisation by:

- ▶ Complying with all legal and regulatory requirements;
- ▶ Managing CO<sub>2</sub>e emissions from building energy use and official travel;
- ▶ Managing water use and waste responsibly; and
- ▶ Encouraging suppliers and staff to support sustainability initiatives.

#### Framework

SOCA continues to work towards a set of challenging Government targets to be met by 2015:

- ▶ Recycling 75% of waste;
- ▶ Reducing waste by 25%;
- ▶ Reducing water consumption by 25%;
- ▶ Cutting carbon emissions by 25%; and
- ▶ Cutting domestic official travel flights by 20%.

#### Establishing Baselines

One of the key requirements of the Greening Government Commitment and subsequent reporting is to establish a baseline from which to measure performance improvements. In line with the Home Office, this has been based on 2010/2011 data sets. Internal controls and processes have been implemented to ensure accuracy.

## Part Two: Statement of Accounts 2012/13

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### 2012/13 Activities

SOCA complies with The Energy Performance of Buildings (Certificates and Inspections) (England & Wales) Regulations 2007 SI 2007/991 by displaying Energy Certificates, which are updated annually, and undertaking regular air conditioning inspections. Any resulting findings or recommendations are used to identify possible future savings and are passed on to the relevant departments to be acted on.

Change Management procedures include Sustainability as an area that must be considered. Projects must consider the impact on the environment.

Currently there is a project to update and expand Building Management Systems which could identify areas where the organisation could reduce its carbon footprint and running costs. Another area being looked at is replacing old gas and oil-fired boilers with more energy efficient ones, this has already commenced; e.g. a new boiler being installed in the Northern Ireland office.

SOCA currently participates in the Carbon Reduction Credit Energy Efficiency Scheme and 10,720 allowances were purchased in 2012/13.

During 2012/13, progress was made in reducing and consolidating the SOCA estate. The office in the North West of England was completed and is now occupied, and as the contributing sites are vacated there will be a reduction in energy consumption.

The organisation is committed to raising staff awareness and an e-learning package was launched in 2012/13 to inform and educate staff of factors they should consider to reduce the impact on the environment when doing their job.

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

### Performance against targets

#### Summary

	2012/13 £000	2011/12 £000	2012/13 Consumption	2011/12 Consumption
Estate Energy	2,911	2,824	35.9M.KWH	30.2M.KWH
Estate Waste*	147	Not available	316.8 tonnes	Not available
Estate Water	115	123	33,147 cu. m.	39,253 cu. m.
<b>Total</b>	<b>3,173</b>	<b>2,947</b>		

\* Complete figures are not available for 2011/12

#### Energy

There has been an increase in energy use during 2012/13; this is due to large refurbishment works being undertaken and the opening of new sites whilst vacated sites are maintained prior to being sold or re-let. Initiatives that are already in place and development of new energy saving projects should see overall usage reduce. Better monitoring of gas usage and catching up with estimated bills has revealed increased recorded consumption and this is reflected in the following chart.

## Part Two: Statement of Accounts 2012/13

	2012/13 Consumption kWh	2012/13 CO <sub>2</sub> e tonnes	2011/12 Consumption kWh	2011/12 CO <sub>2</sub> e Tonnes
Gas and Oil	12,571,066	2,324	7,799,155	1,462
Electricity	23,344,441	12,629	22,401,568	12,119
<b>Total</b>	<b>35,915,507</b>	<b>14,953</b>	<b>30,200,723</b>	<b>13,581</b>

### Water

Data recording is reliant upon invoices; owing to the nature of the water industry, invoicing is irregular. Year-end estimates have been made based on the previous month's consumption. The vacating of a number of sites would have had an impact on the usage.

	2012/13 cu. m.	2011/12 cu. m.
<b>Water Consumption</b>	<b>33,147</b>	<b>39,253</b>

### Waste

Complete waste data for the financial year 2011/12 is not available as new contractual arrangements which would allow for the information to be gathered were not in place until November 2011. For some time after November, old arrangements would still have existed whilst they were transferred into the new contract. Information from these arrangements would not have been available.

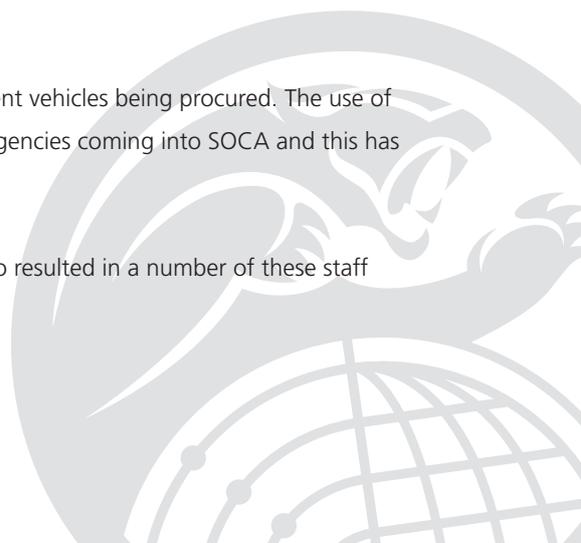
The 2012/13 figures show that SOCA is recycling slightly over 55% of its waste.

	2012/13 tonnes
Landfill	138.5
Recycled	176.1
Incinerated with energy recovery	2.2
Composted	0
<b>Total</b>	<b>316.8</b>

### Travel

A reduction in CO<sub>2</sub>e has been achieved for the SOCA fleet as a result of more efficient vehicles being procured. The use of hire vehicles and private vehicles has increased in 2012/13 due to staff from other agencies coming into SOCA and this has resulted in an increase in travel from their present workplace to SOCA sites.

The transfer of SOCA staff into the new office in the North West of England has also resulted in a number of these staff being able to claim additional mileage for a temporary period.



## Part Two: Statement of Accounts 2012/13

The number of flights taken in 2011/12 was: 2,779 domestic and 2,694 international and the number taken in 2012/13 was: 2,474 domestic and 2,782 international. This shows an actual reduction of 12% in the number of domestic flights from last year. International flights have increased by just over 3%, which is the result of projects with an international focus.

	2012/13 Consumption	2012/13 CO <sub>2</sub> e Tonnes	2011/12 Consumption	2011/12 CO <sub>2</sub> e Tonnes
Fleet vehicles	2,450,545 litres	5,926	2,552,252 litres	6,172
Private vehicles	1,734,723 miles	571	1,227,619 miles	404
Hire vehicles	595,387 miles	169	486,380 miles	138
Rail	3,112,870 miles	274	3,946,135 miles	364
Air	12,377,898 litres	2,516*	10,683,205 litres	2,172
<b>Total</b>		<b>9,456</b>		<b>9,250</b>

\*This figure is made up of:

- ▶ Domestic flights      300 tonnes
- ▶ International flights    2,216 tonnes

### Governance

SOCA provides quarterly sustainability reports to the Home Office and is subject to review by SOCA's internal audit department. Gaps in data are estimated and calculated on base data for the relevant period from the previous year. Energy consumption data is only reported for locations where SOCA pays utilities directly.

With SOCA becoming part of the National Crime Agency in October 2013, there will be a requirement to reset baselines for future reporting to reflect the new Agency.

### Sustainable Construction

Policy remains in place to apply Building Research Establishments Environmental Assessment Method (BREEAM) to capital builds and large refurbishment projects. During 2012/13, six projects were completed, configuring the estate to accommodate NCA activities.

### Conclusion

SOCA has continued to make improvements in some areas in reducing its impact on the environment. Ensuring that sustainability issues are considered for new projects will result in not only a reduction in environmental impact but also potential financial savings.

## Part Two: Statement of Accounts 2012/13

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### Priorities for 2013/14

SOCA priorities will include:

- ▶ Reduction of CO<sub>2</sub>e emissions;
- ▶ Reduction of water usage;
- ▶ Development of staff education;
- ▶ Increase the involvement of staff and suppliers in recommending initiatives; and
- ▶ Deliver upgraded/enhanced remotely accessed Building Management System.

### Social and Community Issues

SOCA employs Community Liaison Officers (CLOs) who provide valuable advice to operational teams on the potential impact of operational activity in local communities. In addition, CLOs build valuable relationships with partner agencies on community issues and develop regional engagement priorities for their area.

The SOCA Communities Fund is a Board sponsored initiative aimed at reinvesting some of the proceeds of crime back in to local communities. The fund is open to all SOCA officers but is largely led by the CLO network as any applications for funding must contribute to the delivery of regional engagement priorities. The fund was set for 2012/13 at £173k and applications are invited from all SOCA staff in time for funding by the end of the financial year.

For 2012/13, the SOCA Community Fund supported a total of 20 projects ranging from Crimestoppers to Local Policing Team initiatives. The total amount of expenditure was £136,631 in 2012/13.

In addition SOCA:

- ▶ Encourages its staff to participate in local community activities, including local and national charitable activities;
- ▶ Works in partnership with Crimestoppers; and
- ▶ Operates an Estates Strategy that specifically targets minimum impact on the environment.

### Inclusion, Diversity & Equality

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

## Part Two: Statement of Accounts 2012/13

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

### Staff engagement

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

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

## Part Two: Statement of Accounts 2012/13

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- ▶ **An induction programme** for new staff provides an overview of SOCA priorities, strategies, values and activities as well as covering areas such as health and safety and security.

There has been a particular emphasis on change communication over the last year as SOCA progresses towards the creation of the NCA. SOCA has kept staff informed about the aims and objectives of the NCA and the processes involved to establish this new organisation. Additionally there have been workshops for senior staff (with an expectation that they will in turn brief their teams), an NCA intranet site and a monthly update newsletter. The Home Office has led on some of these, but the SOCA communication team has worked closely with the Home Office/NCA teams throughout to ensure that SOCA officers have the information they need.

### Staff Sickness Reporting

SOCA staff were absent on sick leave for an average of 5.9 days per employee (2011/12: 7.1 days).

### High Potential Recruitment and Development Scheme

SOCA developed the "High Potential Recruitment and Development Scheme" (HPRDS) in order to recruit high calibre staff through internal and external recruitment campaigns. The scheme enables SOCA to recruit and retain the best people, drive efficiency and develop creative solutions to problems. Positions are advertised annually, subject to Government recruitment restrictions during the year and successful candidates appointed. SOCA ran a HPRDS recruitment scheme in 2012/13 when 25 staff were recruited. SOCA did not recruit to the HPRDS in 2011/12.

### Subsequent events

It is expected that the Serious Organised Crime Agency will cease to exist in the autumn of 2013 and the National Crime Agency (NCA) will then commence. Royal assent was granted on 25 April 2013 for the legislation to enable the formation of the NCA and the cessation of SOCA.

With effect from 1 April 2013, the Shadow Border Policing Command, Organised Crime Co-Ordination Centre and National Co-ordinators Office will be baselined into SOCA's delegated budget in readiness for the NCA, funded by Grant-in-Aid.

The Home Office has allocated an annual budget to SOCA for the financial year 2013/14. Funds not utilised at the cessation of SOCA will, subject to Home Office approval, be transferred to the NCA for the period from NCA inception to 31 March 2014.

Executive Director Bradley Jones left on 8 April 2013, under the Early Exit Scheme, and Executive Director Gerry Liddell will leave on the cessation of SOCA.

The Accounting Officer Trevor Pearce authorised the 2012/13 Annual Accounts to be issued on the date of the Comptroller and Auditor General's audit certificate.

## Part Two: Statement of Accounts 2012/13

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### Virtual Global Taskforce Company

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

### Reporting of Personal Data Related Incidents

There was one personal data related incident in 2012/13 (no personal data related incidents in 2011/12) which required a report to be made to the Information Commissioner.

The incident amounted to accidental inclusion of sensitive personal data about one individual in material sent to the Information Commissioner's Office in response to its investigation of a wholly unrelated matter. The procedures to guard against accidental unauthorised disclosure have been reinforced, including the introduction of secure, passcode printing.

### Declarations

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

**Trevor Pearce** QPM  
Director General and Accounting Officer  
*Serious Organised Crime Agency*  
19 June 2013

### Remuneration Report

#### **The Remuneration Report has been audited.**

#### Appointment of Board of Directors of SOCA and Accounting Officer

The Chair and Non-Executive Directors of SOCA's Board are appointed by the Home Secretary. Sir Ian Andrews as Chair along with the Non-Executive Directors Martyn Thomas, Peter Clarke and Francis Plowden all had their appointments extended to 31 December 2013 or the formation of the NCA whichever is the sooner. Sue Garrard's appointment as a Non-Executive Director ended on 31 August 2012.

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

The SOCA Board approved the appointment of Bradley Jones as Director Enforcement with effect from 1 September 2010 and Gerry Liddell as Director Strategy and Prevention with effect from 5 September 2011.

With the cessation of Sue Garrard as a Non-Executive Director, Gerry Liddell ceased to be a voting member of the Board for the period 1 Sept 2012 to 13 December 2012. Bradley Jones ceased to be a voting member of the Board for the period 14 December 2012 to 8 April 2013. This is in accordance with the requirements of SOCAP 2005 in respect of the body corporate of SOCA.

Francis Plowden has additional responsibility as the Chair of the CEOP Board.

Trevor Pearce has been appointed as an Executive Director Designate of the NCA from 29 May 2012.

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

Senior Management salaries are based on recommendations of the Senior Salaries Review Body, an Independent body providing advice to the Prime Minister and others on senior civil servants salaries. SOCA conducts internal appointments through a Senior Appointments Committee that comprises the SOCA Chair, Director General and two Non-Executive Directors. The Secretariat role for this committee is held by the Executive Director, Capability and Service Delivery.

The salaries of the Director General and Executive Directors include London weighting allowance. Bonuses of £5k each paid to four of the Directors in 2012/13, which are included in the below figures, relate to prior year performance. No bonuses for current year performance have been agreed.

A number of Board members hold directorships in other companies or organisations which are not related parties. Information on these can be found on the SOCA website.

Pool cars are available to Directors for business purposes.

## Part Two: Statement of Accounts 2012/13

Details of 2012/13 remuneration in respect of salaries paid are set out below.

	<i>Date Appointed</i>	<i>Contract end date</i>	<i>Salary 2012/13 £'000</i>	<i>Bonus 2012/13 £'000</i>	<i>Benefits in Kind 2012/13 £'000</i>	<i>Full Year Equivalent salary 2012/13 £'000</i>	<i>Salary 2011/12 £'000</i>	<i>Benefits in Kind 2011/12 £'000</i>
<i>Director General</i>								
Trevor Pearce	1 Sept 2010	N/A	145-150	5	-	145-150	145-150	-
<i>Chairman</i>								
Sir Ian Andrews	3 Aug 2009	31 Dec 2013~	65-70	-	-	65-70	65-70	-
<i>Executive Directors</i>								
Malcolm Cornberg	1 April 2006	N/A	145-150	5	-	145-150	145-150	-
Paul Evans*#	1 April 2006	22 Oct 2011	-	-	-	-	75-80	36.2
Bradley Jones~~##	1 Sept 2010	8 April 2013	105-110	5	-	105-110	105-110	-
Gerry Liddell~###	5 Sept 2011	N/A	105-110	5	-	105-110	60-65	-
<i>Non-Executive Directors</i>								
Peter Clarke~~~	1 Sept 2009	31 Dec 2013~	15-20	-	0.1	15-20	15-20	-
Sue Garrard	1 Sept 2009	31 Aug 2012	**	-	-	-	**	-
Francis Plowden	1 Sept 2009	31 Dec 2013~	20-25***	-	-	20-25	35-40	-
Martyn Thomas	1 July 2011	31 Dec 2013~	10-15	-	-	10-15	10-15	-

\* The benefits in kind for Paul Evans, relate to accommodation. Paul Evans relinquished his accommodation on 22 October 2011.

\*\* Non-Executive Director Sue Garrard was a public appointment by the Home Secretary. When first appointed she was a civil servant and, as a result, SOCA did not pay her annual salary or pension contributions. In January 2011, Sue Garrard resigned from the Civil Service to take a senior communications post within a multinational company. Sue continued her role as a Non-Executive Director pro bono publico until her contract ended on the 31 August 2012.

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

~ The Chair and three Non-Executive Directors will remain until the 31 December 2013 or the formation of the National Crime Agency (NCA) whichever is the sooner.

~~ Gerry Liddell was a non voting member of the Board from 1 September to 13 December 2012 inclusive. This ensured that SOCA had an equal number of voting Non-Executive Directors and full time Directors in line with Schedule 1 of SOCAP 2005.

~~ Bradley Jones was a non-voting member of the Board from 14 December 2012 to 8 April 2013. This ensured that SOCA had an equal number of voting Non-Executive Directors and full time Directors in line with Schedule 1 of SOCAP 2005.

~~~ The benefits in kind for Non-Executive Director Peter Clarke relate to travel costs.

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

## Bradley Jones left SOCA on 8 April 2013, as agreed prior to 31 March 2013, after 7 years and 8 days' pensionable service under the Civil Service Pension Scheme Compensation Scheme 2010, Voluntary Exit provisions. Under these regulations, the compensation payment is based on one month's pay per year of service up to a maximum of 21 months for those under pension age. This is the standard tariff that applies to all members of the Civil Service Scheme. Under the Scheme he was paid £62.3k and additionally £20.1k in lieu of notice.

### Gerry Liddell has successfully applied for exit under the Civil Service Pension Scheme Compensation Scheme 2010, Voluntary Exit provisions scheme. This was agreed prior to 31 March 2013. He will be leaving on the cessation of SOCA.

### Notice periods for senior staff are:

SOCA Chair – 3 months

Director General – 3 months

Executive Directors – 3 months

Non-Executive Directors – 3 months

## Part Two: Statement of Accounts 2012/13

### Benefits and Pension contributions

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

|                  | <i>Employer Pension contributions in 2012/13</i> | <i>Real increase in Pension 2012/13</i> | <i>Real increase in lump sum 2012/13</i> | <i>Total Accrued Pension at age 60 in 2012/13</i> | <i>Total Lump Sum at age 60 in 2012/13</i> | <i>Cash Equiv Transfer Value 2012/13</i> | <i>Real Increase in Cash Equiv Transfer Value 2012/13</i> |
|------------------|--------------------------------------------------|-----------------------------------------|------------------------------------------|---------------------------------------------------|--------------------------------------------|------------------------------------------|-----------------------------------------------------------|
|                  | <i>£</i>                                         | <i>£'000</i>                            | <i>£'000</i>                             | <i>£'000</i>                                      | <i>£'000</i>                               | <i>£'000</i>                             | <i>£'000</i>                                              |
| Trevor Pearce#   | 33,388                                           | 2.5-5.0                                 | 0                                        | 15-20                                             | 0                                          | 281                                      | 41                                                        |
| Malcolm Cornberg | 33,388                                           | 2.5-5.0                                 | 0                                        | 20-25                                             | 0                                          | 418                                      | 50                                                        |
| Bradley Jones    | 25,512                                           | 2.5-5.0                                 | 0                                        | 10-15                                             | 0                                          | 208                                      | 38                                                        |
| Gerry Liddell    | 25,502                                           | 5.0-7.5                                 | 20-25                                    | 45-50                                             | 135-140                                    | 981                                      | 141                                                       |

# The total payment was £34,173 however an employer refund of £784.92 in pension contributions will be actioned in April 2013 to reduce the contributions to the earnings cap of £33,388.

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

The Non-Executive Directors are non-pensionable appointments.

### Cash Equivalent Transfer Values (CETV)

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

## Part Two: Statement of Accounts 2012/13

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### Real Increase in CETV

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

### Related Party Transactions

The Directors' related party transactions for the year ending 31 March 2013 have been fully disclosed under note 18 and are reported below.

Related party transactions took place in the twelve-month period to 31 March 2013 relating to Peter Clarke, Non-Executive Director, who is also a Board member for the Trustees at Crimestoppers.

Crimestoppers is a registered charity which has received monies from the SOCA Community Fund for specific projects in 2012/13. The distribution of the Community Fund is decided by a Board of Trustees. Peter Clarke is not a member of this Board. SOCA additionally paid Crimestoppers £50k (2011/12: £50k) as a donation to support its activities. Peter Clarke was not part of the decision making process for any of these transactions.

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

The Median pay including allowances but excluding overtime for all employees of SOCA is £36.5k (2011/12: £37.7k). The ratio of the remuneration of the highest paid Director to this is 4.2 (2011/12: 4.0). The highest paid Director was Malcolm Cornberg with a salary, including allowances and bonus of £151.8k.

**Trevor Pearce** QPM  
Director General and Accounting Officer  
*Serious Organised Crime Agency*  
19 June 2013

### Statement of the Accounting Officer's Responsibilities

Under the Serious Organised Crime and Police Act 2005, the Home Secretary has directed SOCA to prepare annually a Statement of Accounts in the form and on the basis determined by the Secretary of State, with the consent of HM Treasury. The accounts are to be prepared on an accruals basis and must give a true and fair view of the state of affairs of SOCA at the year-end and of its income and expenditure, changes in taxpayers' equity, and cash flows for the financial year.

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

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

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

**Trevor Pearce** QPM  
Director General and Accounting Officer  
*Serious Organised Crime Agency*  
19 June 2013

## Part Two: Statement of Accounts 2012/13

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### **SERIOUS ORGANISED CRIME AGENCY**

#### **2012/13 Governance Statement**

Director General: **Trevor Pearce**

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

#### **Statement**

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

I confirm that I have reviewed the governance, internal control and risk management arrangements in operation within my area of responsibility at the end of the 2012/13 period. A system of internal control has been in place in SOCA throughout the period 1 April 2012 to 31 March 2013 which accords with HM Treasury guidance. I can confirm that there have been no failures or identification of poor processes and controls which merit mention in this statement.

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

#### **Governance**

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

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

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

The Government published in June 2011 its plan for the creation of the National Crime Agency (NCA), which will come fully into being in late 2013. The NCA will be a UK wide crime-fighting agency, which will have a highly visible, national profile committed to protecting the public. It will lead the UK's fight against serious, organised and complex crime, provide a new

## Part Two: Statement of Accounts 2012/13

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focus on economic crime, and strengthen policing at the border. It will be at the centre of the reformed policing landscape. It will build on the strengths of SOCA, connecting the efforts of local policing and neighbourhood action to national agencies and action overseas to coordinate the fight against some of the UK's most sophisticated and harmful criminals.

SOCA/CEOP is supporting the creation of the NCA to ensure a smooth transition to the new agency. SOCA/CEOP will remain statutorily responsible for tackling organised crime until the time at which the NCA becomes fully operational, and will retain its operational focus, but this will be adjusted where appropriate to reflect the wider NCA remit.

SOCA complies with the principles as set out in Corporate Governance in Central Departments: Code of Good Practice (Cabinet Office, July 2011). In accordance with the specified governance arrangements, SOCA is led by a Board of four Non-Executive and three Executive members with the role of chairing the Board separated from the role of Director General/Accounting Officer.

Through its operation, the Board assures sound financial management; sets the organisation's risk appetite and ensures appropriate controls are in place to manage risk; scrutinises the performance of the organisation and ensures SOCA has the capacity to deliver against current and future needs. This is delivered through a series of standing agenda items (discussed at monthly meetings), including corporate reporting (performance, risk and resource); in-depth discussion of particular risks from the Strategic Risk Register; updates on major investments and contracts; and updates from the Strategy Groups, CEOP and Audit and Risk Committee.

The Board receives timely and detailed reports on the standing agenda items, which are sponsored and presented by a Board member. Presentations are requested to either inform the Board or enable rigorous challenge where concerns have been raised.



## Part Two: Statement of Accounts 2012/13

Board members' attendance in the year 2012/13 was:

| <i>Board Member</i>     | <i>Actual Attendance</i> | <i>Possible Attendance*</i> | <i>Percentage Attendance</i> | <i>Comments</i>                                              |
|-------------------------|--------------------------|-----------------------------|------------------------------|--------------------------------------------------------------|
| <b>Executive</b>        |                          |                             |                              |                                                              |
| Trevor Pearce           | 9                        | 9                           | 100%                         |                                                              |
| Malcolm Cornberg        | 8                        | 9                           | 89%                          |                                                              |
| Brad Jones              | 6                        | 6                           | 100%                         | Last meeting as member was December 2012.                    |
| Gerry Liddell           | 6                        | 6                           | 100%                         | Member from April to July 2012 and member from January 2013. |
| <b>Non-Executive</b>    |                          |                             |                              |                                                              |
| Sir Ian Andrews (Chair) | 9                        | 9                           | 100%                         |                                                              |
| Peter Clarke            | 9                        | 9                           | 100%                         |                                                              |
| Francis Plowden         | 90                       | 9                           | 100%                         |                                                              |
| Sue Garrard             | 0                        | 3                           | 0%                           | Resigned. Last meeting as a member was July 2012.            |
| Martyn Thomas           | 8                        | 9                           | 89%                          |                                                              |

\* No meetings of the SOCA Board were held in April 2012, August 2012 and October 2012.

The Board held a two day away day in October 2012, attended by all members.

### ***Board's Effectiveness***

The SOCA Board has considered its performance and assessed that it is operating effectively. The Board is established and has had continuity of membership throughout 2012/13. The atmosphere of the meetings is business like and efficient, with frank exchange of views and a level of challenge. There is full participation from all members, agendas and time have been well managed and attendance is good.

All members understand the business and are involved in other meetings and advisory roles. For example, the Non-Executive Directors attend Strategy Groups and have identified areas of the business that they support and advise the Director General (DG) and Executive Directors on in the discharge of their responsibilities. Over the last year, the Chair and DG have regularly met with Government Ministers and senior officials including the Home Secretary, to update them on a wide range of issues; this includes performance review meetings, Monthly Organised Crime Meetings and the Police Oversight Group amongst others.

Information provided to the Board, including financial data, risk and performance, is of a high quality, timely and well presented. Where required, the Board has considered issues referred to it by sub-committees and Strategy Groups and has maintained oversight of the work of the Strategy Groups through receipt of quarterly reporting. Throughout the year, representatives from areas of business have been asked to attend the Board to enhance members' understanding of the Agency and key pieces of activity. Representatives from suppliers have also been asked to attend the Board where there have been particular issues, for example the IT suppliers i2d/CGI.

## Part Two: Statement of Accounts 2012/13

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The Board has corporate responsibility for ensuring that SOCA fulfils the strategic priorities set by the Home Secretary and for promoting the efficient and effective use of staff and other resources. The priorities which the Board set for 2012/13 are:

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

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

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

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

### *Audit and Risk Committee*

The Audit and Risk Committee (ARC) comprises three Non-Executive Directors of which one is chair. Also in attendance is the Director General (DG), Executive Director Capability & Service Delivery, Deputy Director Finance, Head of Corporate Assurance, Risk Manager and representative(s) from the Home Office and National Audit Office.

On behalf of the SOCA Board and DG (as accounting officer), the Committee oversees the management of risk and other assurance controls necessary for the good governance of SOCA. From April 2012 to March 2013 the Committee met 6 times. Members reviewed the comprehensiveness of the Strategic Risk Register, internal audit, corporate compliance coverage and other external compliance regimes applicable to SOCA, such as the NAO interim review, and assessed the reliability and integrity of these processes and assurances.

In particular, the Committee considered:

- ▶ 2011/12 Accounts, Annual Report and Governance Statement
- ▶ Accounting and budgetary treatment of ARIS funding
- ▶ Progress against the internal audit programme



## Part Two: Statement of Accounts 2012/13

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- ▶ Corporate compliance programme
- ▶ The Strategic Risk Register
- ▶ Assurances relating to the management of information, risk and security (compliance with the Information Assurance Maturity Model)
- ▶ Health & Safety Management
- ▶ Business Continuity Management of critical functions
- ▶ Risk and assurance considerations in preparation for the NCA
- ▶ Establishment of shared internal audit services

The Chair submits an annual report to the SOCA Board which includes an assessment of the organisation's risk framework.

### *Risk Management Framework*

Risk management remains at the core of SOCA activity, and is embedded across operational, project, programme and strategic levels within the Agency. Support to risk managers across the business is provided through the dedicated Risk Management team within the Strategy and Information business area.

SOCA has ensured clear ownership and accountability throughout the risk management process through the establishment of the Risk, Assurance and Security (RAS) Strategy. The RAS strategy is supported by a Risk Management Policy and Handbook which define SOCA's risk management framework and related responsibilities and processes. In particular, SOCA has maintained a Strategic Risk Register (SRR) throughout the year which has been overseen by the organisation's RAS Strategy Group. There are currently 12 Strategic risks recorded in the SRR, each one of these is underpinned and controlled through the application of specific controls. The status and impact of these controls measures is reviewed formally on a quarterly basis, and is used to derive the overall risk rating. The risk management approach is to set clear objectives to bring risk ratings within acceptable limits, to develop plans to achieve these targets, and provide regular updates against actions taken to mitigate them to an agreed level. Processes to escalate and relegate risks from the SRR are well defined, and have been applied throughout the year.

The SRR is supported by underlying feeder registers including business areas, (where common processes and risks apply across more than one business area, hub registers have been developed), project/programme management areas and the Child Exploitation and Online Protection Centre (CEOP) and former National Policing Improvement Agency functions.

The SOCA Risk Management Team collaborates closely with the Internal Audit and Compliance teams. The work of Internal Audit provides assurance the necessary measures are in place to manage, mitigate and or remove threats and embedded in business practice.

## Part Two: Statement of Accounts 2012/13

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

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

The reports received by SOCA did not identify any significant issues. All recommendations have been actioned and are either completed or in progress.

In the last year, the RAS Strategy Group endorsed the implementation of the Spotlight Risk Management methodology, which will proactively manage SOCA's risk exposure for transition into the NCA.

### *Significant In-Year Risks and Issues*

The nature of the SOCA business means that the Agency has to manage a range of significant risks cutting across its operational and enabling functions. SOCA's focus this year has been the identification and effective management of generic threats to the delivery of SOCA business as usual, as well as the management of specific threats, including the delivery of a safe, secure and successful Olympic and Paralympic Games.

The key top-level risks to the Agency are held on the Strategic Risk Register which is reviewed formally and updated on a quarterly basis. The significant year-in risks are listed below:

- a. The impact of the Olympics and Paralympic Games, specifically on SOCA's ability to oversee strategically all requirements resulting from the Games was highlighted as a specific risk in this period. This risk was twofold and related to supporting the delivery of a safe and secure Olympic Games, whilst ensuring delivery of an uninterrupted service during any disruption caused by the Games. SOCA established a range of mechanisms in response to this risk, internally this included specialised testing of critical function business resilience, to ensure preparedness for potential disruption during the Olympic period. Externally, SOCA worked closely with key partner agencies, and supported the delivery of a safe Olympics through the provision of advice, support and staff to the National Olympic Coordination Centre. This risk was closed at the end of Q1 SRR review.
- b. Ensuring post transfer service delivery of the NPIA functions has continued to be managed as a specific risk in the SRR. The risk was originally developed to manage the transfer and service delivery of five NPIA functions. In June 2012, SOCA was tasked by the Home Secretary to manage the NPIA's Proceeds of Crime Centre during transition to the NCA. This

## Part Two: Statement of Accounts 2012/13

---

transition was successfully managed under the governance arrangements established for the transfer of the five original NPIA functions, and continues to be monitored.

- c. The risk regarding the management of a seamless transition into the NCA has been designed to ensure the Agency is striking an appropriate balance between the resources committed to the transition and those required to maintain the operational tempo. The controls in place are designed to deconflict priorities, to prevent an adverse effect on SOCA's business as usual, and to ensure that lessons learnt from SOCA successes are incorporated into NCA design work to maximise opportunities for the NCA's success.
- d. Two specific elements are managed through ICT related risks, these include the modernisation of SOCA IT equipment, and core IT systems' resilience. These risks are managed through ongoing high-level engagement between the IT supplier and the SOCA senior management team.
- e. A specific risk relating to the Child Exploitation and Online Protection Centre was introduced to the SOCA SRR in Q2 to manage and mitigate the impact of a procedural change implemented by the US National Center for Missing & Exploited Children (NCMEC). The process and procedures implemented within CEOP successfully managed and mitigated the impact of the change implemented by NCMEC, and risk exposure associated with this risk has reduced.
- f. Where SOCA has identified cross-cutting risks, which will potentially impact on a number of Government and law enforcement partners, these have been referred to the Home Office for management. This has included the renewal of central Government contracts, and cross-Government communication arrangements.
- g. The main in-year high-level issue experienced by SOCA was in relation to the issues briefing process. A revised issues briefing process was initiated within SOCA following an internal review of the way that the Home Office is briefed on litigation and other matters involving SOCA. The revised process ensures the Home Office, through the SOCA Sponsor Unit is appropriately notified by SOCA of such issues. This revised process was implemented in August 2012, and feedback from the Home Office is that it is satisfied with the process.
- h. In April 2013, SOCA identified, and reported to the Home Secretary, an error in the way it has captured and reported the number of outgoing (Part 3) European Arrest Warrants (EAWs) that have been issued since 2009-10. There is no evidence to suggest that this error in data capture has had any operational impact on the way in which EAWs have been processed by SOCA, or any other part of the criminal justice system, or therefore on public protection. SOCA supported HMIC in an audit of the data that has been collected for both Part 1 (incoming) and Part 3 (outgoing) EAWs since April 2009 and the results were reported to the Home Office in mid May. This will enable data previously provided by SOCA in good faith to be corrected.

### **Internal Controls**

#### **Health and Safety**

SOCA's annual Health and Safety Business Plan works towards achieving compliance with SOCA's Health & Safety Management System (currently based on HSG65). Compliance with the Business Plan is monitored via the H&S Steering Group and the Board. General compliance levels are good.

## Part Two: Statement of Accounts 2012/13

---

### Security Incidents and Breaches

The number and type of security incidents is in line with expectations for 2012/13. Each has been dealt with using an established robust and well-managed system for incidents and breaches. Each event is placed onto the corporate record and analysed by the Incidents Team.

Appropriate advice and mitigation is provided and lessons learned recorded. Each month, statistics regarding incidents are provided for dissemination and discussion at a senior level. Each quarter, a dashboard of statistics is discussed by the Risk and Security Strategy Group at Board level.

SOCA also acknowledges the threat posed by corruption and the impact it can have on its ability to combat serious organised crime and recognises the need for a wide range of controls to mitigate the risk corruption poses to its people, assets, information and operations. There is an effective Counter Corruption Strategy in place, which is part of the threat-driven, risk-based approach to security set out in, and mandated by, the Risk Assurance and Security Strategy.

### Business Continuity Planning (BCP)

A SOCA critical function is defined as one where the failure to ensure its continued delivery may threaten life, legal compliance and/or the reputation of the Agency. A number of critical functions have been identified within SOCA, and these are reviewed annually by the Executive Committee to ensure all relevant areas are represented. At the last annual review, a number of additional business activities were nominated as SOCA critical functions. The new critical functions included elements of NPIA functions which have transferred into SOCA in preparation for transition into the NCA. In addition, at the annual review point, SOCA critical functions were regrouped to reflect the NCA structure to ensure the smooth transition of SOCA critical function BCP arrangements into the NCA.

A Business Continuity Plan (BCP) is maintained and updated within the appropriate business group for each critical function. The plans underpinning newly identified critical functions are now complete, or at an advanced stage of development. All BCPs are reviewed on a quarterly basis and tested locally at least once a year. During the last year all BCP arrangements were subject to simultaneous centrally coordinated testing, to ensure preparedness for the Olympic period. This process resulted in a number of business benefits, which including enhancements being made to the plans and increased assurance of their effectiveness in the case of multiple invocations.

### ICT Continuity Management

ICT continuity management can be grouped into 2 principal areas of business: Modernisation and Business As Usual (BAU).

The ICT Modernisation Programme oversees the delivery of the multi-million pound contract between SOCA and the consortium i2d led by CGI Logica. In addition to carrying out the ICT Modernisation, i2d is also contracted to provide BAU services in support of SOCA's ICT. Further work has been committed to in respect of providing ICT services for the forthcoming NCA. Some of this work is in addition to that already contracted to SOCA i.e. Modernisation and BAU.

There has been a considerable delay with the contracted delivery of both elements with a significant impact on modernisation. This has resulted in a high degree of intrusive management of i2d/CGI by senior SOCA management. The

## Part Two: Statement of Accounts 2012/13

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contract, delivery and progress have been, and continue to be, the subject of close scrutiny within SOCA at Board level. There is also scrutiny from the Home Office in relation to progress and benefits realisation. Progress is also subject to Major Projects Authority Gateway Reviews and assessments which produce recommendations that have been/are being implemented. The Modernisation Programme is overseen by a Partnership Board which consists of SOCA and CGI senior representatives.

Logica, the i2d consortium lead, were taken over by Canadian ICT company CGI in the summer of 2012. Their actions since August have given increased confidence in their ability to deliver the contract, albeit to a revised plan. Work is progressing with the desktop development remaining on track, although some commercial issues remain to be resolved.

Data Centres have been migrated to new, up-to-date sites and facilities with scheduled data back-ups and the provision of a synchronised second data centre. Within SOCA sites, Business Continuity Plans and Critical Incident Management Plans include the provision of alternative locations for access to critical systems and data.

Internally within SOCA a number of management and programme management groups are in place to ensure delivery of both BAU and Modernisation and to deal with delays encountered with service/delivery parameters being negotiated and agreed. These work closely with their CGI counterparts at both SOCA and CGI locations.

### **Performance Management**

SOCA's objectives and priorities are set out its Annual Plan.

The Board receives a monthly performance report on progress against the SOCA priorities. This is then shared with the Home Office and forms the basis of a monthly meeting with the Chair, Director General and senior Home Office officials to review performance. On a quarterly basis the monthly performance report is enhanced with additional material that it is more appropriate to review on a quarterly basis.

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

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

### **Financial Management**

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

#### **Budgeting and Reporting**

Planning and budget setting is undertaken using a 2-3 year planning horizon to ensure the Agency anticipates known future funding reductions. Within the overall delegation SOCA is mindful that budget planning incorporates the administration budget control total within the overall funding envelope. Delegation of budget responsibilities is in accordance with a robust system of financial regulations, followed up during the year by budgeting and monitoring of monthly resource income and

## Part Two: Statement of Accounts 2012/13

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expenditure incurred by SOCA, reporting management information to the Executive Committee and SOCA Board providing detailed information to the Chairman, Non-Executive Directors, Executive Directors and Deputy Directors. SOCA financial risks and/or opportunities are escalated to the Board and the relevant sub-committees to enable best use of financial resources in year.

Capital programmes are managed by the Investment and Capability Design and Review Working Group (ICD&RWG). SOCA's Finance Department reviews business cases, and ensures full costs are considered. Progress reports are provided regularly, detailing expenditure incurred and committed, and forecasting future costs.

SOCA requested and received sufficient Annually Managed Expenditure (AME) budget from the Home Office, this budget is, in the main, used to fund write-downs in SOCA estate valuations. As part of this a higher than expected reduction in the valuation of buildings was agreed with the Home Office and AME budget cover provided.

SOCA partners and delivers activities that support SOCA goals that are funded by other Government Departments, the Scotland and Northern Ireland devolved administrations, and the European Commission. Contributions from partners for both core activities and specific projects are received and formalised using Memoranda of Understanding and Grant Funding agreements.

### Cash Management

SOCA provides the Home Office with cash forecasts, drawing down Grant-in-Aid on a need basis (minimising cash balances). SOCA reports monthly the actual and forecast expenditure against budgets as required by the Home Office. The National Audit Office reported that at 31 March 2012 SOCA held high cash balances. SOCA addressed this in-year, and had a balance under £10M by year-end. The net cash requirement for 2013/14 has been negotiated with the Home Office to ensure SOCA has sufficient cash to discharge 2012/13 accrued liabilities that will be paid during 2013/14. SOCA and the Home Office maintain an ongoing relationship to discuss and agree financial risks and the application of changes in accounting policies.

### Policies and Procedures

Policies and procedures are designed to ensure sound internal control mechanisms are applied. SOCA Finance continues to update these documents in response to external regulatory changes, management review and audit feedback.

Finance and Commercial are key partners in challenging proposed delivery plans and pricing mechanisms presented by suppliers in order to ensure SOCA obtains value for money and delivery to agreed milestones.

### Internal and External Audit

All internal audit recommendations which relate to finance processes and systems are discussed, agreed and implemented. The Finance department continues to improve processes and controls, as evidenced by improved internal audit reports. No (red) "fundamental weakness in the control environment" in 2012/13 audit reports have been received.

SOCA Finance completed the 2011/12 statutory accounts with an unqualified audit opinion. It should be noted that the year-end activity was completed in accordance with Home Office's earlier closing timetable, and the earlier laying date. In addition,

## Part Two: Statement of Accounts 2012/13

---

SOCA successfully contributed to the first Home Office group statutory accounts in 2011/12 in accordance with the Home Office timetable. The final NAO 2011/12 management letter confirmed fewer reportable findings and, in some cases, risk being downgraded. No risks were upgraded.

### Managing Risk of Financial Loss (MRoFL)

SOCA has implemented Managing Risk of Financial Loss, a cross-Government initiative to encourage departments and NDPBs to embed a systematic approach to assessing the risk of financial loss arising from the operation of financial processes. It is planned with support from Internal Audit to deepen SOCA/NCA engagement with the MRoFL process.

### NCA

Increased resources are being directed towards preparation for the NCA. As part of this work, staff and responsibilities from the NPIA were transferred into SOCA during 2012/13. SOCA Finance is working closely with the NCA Programme Finance Team, and other pre-cursor partners to ensure a smooth transition. A fully developed project plan is in place to facilitate the financial systems, controls and procedures are in place for the go-live date. This plan includes a controlled closure of SOCA.

### Indemnities

Last year, the Home Office extended the Parliamentary Minute for use of indemnities by SOCA, including that for firearms training. The minute was laid in Parliament on 11 October 2011. Cover is now in place until the end of the Comprehensive Spending Review. In addition, during the year an agreement was made with HM Treasury and the Home Office to regulate operational indemnities, which set out a protocol for ensuring Home Office and HM Treasury agreement to potential liabilities incurred by SOCA.

### People Management

SOCA's workforce is managed through an established workforce planning and resourcing regime that forms the bedrock of one of SOCA's four enabling strategies – A People Strategy – and which is strategically managed through a senior People Strategy Group.

The aim of SOCA's People Strategy is "To provide a diverse workforce of the right numbers that is appropriately skilled, managed and motivated to support the Board's strategic vision." The Strategy provides the framework for staff and managers and the Human Resources (HR) function to continue to work in partnership in building the capability of the workforce so that it is flexible to respond to the changing environment.

SOCA has a robust Role Profile and Career Pathways structure which supports selection, career development and workforce planning and SOCA continues to utilise the internal development of staff to address emerging skills and specialism shortfalls wherever possible, and to encourage staff retention. This means that recruitment activity can primarily focus on lower graded staff.

## Part Two: Statement of Accounts 2012/13

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All staff members participate in a Personal Development Scheme (PDS) through which annual performance and personal development objectives are set against business plans. Performance is assessed at no less than six-monthly intervals. Mandatory management objectives include the completion of the PDS.

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

A comprehensive Occupational Health and Welfare system is in place providing a range of health care and employee support services. A Single Equality Scheme is in place, the results of which are published annually.

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

Recruiting externally to SOCA has been, and continues to be, affected by the Government's current recruitment freeze. This has had a particular impact upon recruitment to those grades predominately providing front-line operational delivery and support.

During 2011/12, SOCA obtained approval to recruit 236 staff to fill key operational posts, including approval to recruit 128 externally in order to target operational skills available elsewhere. SOCA secured the numbers required and these entered the organisation during 2012/13.

In addition, SOCA secured Home Office approval to recruit externally 160 operational staff to assist in addressing 2012/13 turnover. These posts were advertised in January 2013 and although these staff will not join SOCA during the current financial year it is planned that they will be secured prior to NCA go-live.

SOCA HR is providing the professional support on addressing people issues arising from transferring SOCA/CEOP staff into the NCA. It works closely with the NCA Programme Team to ensure the NCA is in a position to be effective operationally from the go-live date. This work includes developing terms and conditions (and the consequent trade union engagement) that support an organisation whose focus is to protect the public from harm.

SOCA Learning and Development has 58 full-time equivalent staff. Since April 2012, SOCA Learning and Development has delivered 487 internal courses, which have been attended by a total of 3,557 students. Additionally, a further 2,059 students have attended courses delivered externally (including events such as Operational First Aid which is delivered at a branch by an external supplier).

SOCA Learning and Development focused upon two priorities during 2012/13: SOCA business as usual and NCA requirements including completion and delivery of the NCA Training Needs Analysis; NCA Induction training; and adaptation and implementation of Policing Professionalising Framework.

## Part Two: Statement of Accounts 2012/13

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### Information Management

Building on the sound foundations evidenced in 2011/12, the focus in 2012/13 was on ensuring that the business objectives for each component of the information assurance structure – ICT Security, Technical Assurance, Accreditation, and Compliance – continue to provide full and cohesive support to SOCA's operational commitments and ambitions.

There have been three key developments: the continuing modernisation of SOCA's ICT provision; the institution of new systems and allied governance arrangements to facilitate exchange of intelligence of the highest sensitivity; and servicing the transition to the NCA.

On the first, while the pace of progress has been slower than originally planned for, there have nonetheless been some improvements in the ICT environment. On the second, the assignment of responsibility to the SOCA Senior Information Risk Owner (SIRO) for ensuring that high-end intelligence sharing is securely managed, provided clarity in the governance arrangements and the mechanism for setting the risk appetite in this crucial area. Transition to the NCA included the integration into SOCA systems of some very high value information assets formerly under the aegis of the former NPIA, and the establishment of a shadow NCA Headquarters in SOCA premises with supporting ICT provision.

The period has not, however, been free of incident and challenge. Distributed Denial of Service (DDOS) attacks on SOCA's public facing website of the nature reported in 2011/12 produced intermittent nuisance in the first half of 2012/13, and the Board decided that the site should be afforded a more secure and resilient environment, which was put into effect by September 2012.

Areas of relative weakness were identified by an audit by CESG of one of SOCA's communications systems, and remedial work, since checked by penetration and other tests, has corrected these. The quest for further improvement in provision and compliance more generally continues in the work to achieve Level 4 of the Information Assurance Maturity Model, for which SOCA aims to provide the key elements for the NCA's launch, currently planned for October 2013. The Board's Risk, Assurance and Security Strategy Group oversees this work, which will be taken forward alongside the plans to introduce the new Government Security Classification Scheme – a key means by which information will continue to be properly secured.

### Programme and Project Management

SOCA's Business Development Department provides a single point of entry for all change activity, ensuring that all competing proposals are properly and consistently assessed, weighed, prioritised and managed. From assistance with the writing of business cases to the review of benefits, Business Development ensures that change is delivered and communicated in an optimal way, aligned with best practice and to reduce bureaucracy and duplication of effort.

SOCA uses a blend of PRINCE2 and the Managing Successful Programmes (MSP) standard to manage all projects and programmes. This is the Major Projects Authority (MPA) standard for managing programmes.

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

## Part Two: Statement of Accounts 2012/13

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All capital and (centrally-funded resource) activity is preceded by approval and authorisation of an appropriate business case. SOCA has recently revised and streamlined the business case process and the new system is reviewed regularly to ensure continuous improvement. The new business case form is the only recognised vehicle for seeking funding.

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

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

SOCA's key change programmes have embedded specialist resources leading planning, delivery and benefits realisation. This is a key component of reporting to SOCA's Investment Board and Gateways. Benefits Realisation Monitoring is managed by Programme and Project Management (PPM) specialists.

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

SOCA's change programme for 2012/13 was focused on NCA Transition. The Business Development Department (BDD) has provided a focal point for all engagement with the NCA Programme in relation to transition and its implementation within SOCA. To do this it has visibility of other NCA Programme engagement on non-transition issues, to ensure effective resource management and de-confliction. It also coordinates SOCA's response to transition proposals, including those requiring investment in new or modified capabilities, developing a joint view with the NCA Programme as to prioritisation and inward dependencies.

SOCA is working closely with the NCA DG Designate and the NCA Home Office Programme Team to enable transition into the NCA. In December, a member of SOCA was appointed as Deputy Programme Manager and this has coincided with a review of the Programme management and steam-lining of its governance. The NCA Programme Board is chaired by the DG Designate NCA with Project SROs and suitable senior managers attending. Above that is a Steering Group chaired by the Home Office Permanent Secretary. This provides clarity for accountability and decision making. The Programme Plan, milestones and risk register have all been reviewed and updated. There is now inter-operability between the Home Office Programme Management Office and BDD to increase capability and resilience.

### **Child Exploitation and Online Protection Centre (CEOP)**

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

## Part Two: Statement of Accounts 2012/13

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

- a. increased oversight of finance, including the provision of monthly reporting to the Chief Operating Officer and quarterly reporting to the CEOP Board;
- b. completed delivery of the modernisation of the Centre, including the increase of front line staff and the establishment of a Strategic Intelligence Unit and a Missing Persons team;
- c. phased implementation of the recommendations identified by the Quest review project, improving the effectiveness and efficiency of processes across the Centre;
- d. delivery of an improved risk management regime, including the revision of the CEOP Strategic Risk Register, quarterly reporting to the CEOP Board and the escalation of risks to SOCA where appropriate;
- e. improved oversight of asset management and information management across the Centre;
- f. initiated development of a corporate system that will manage staff working hours, overtime and compliance with Working Time Directive regulations across the Centre;
- g. commenced development of corporate process to handle request from SOCA Public Information Compliance Unit;
- h. close working with SOCA Corporate Assurance on the internal audit programme for 2012/13, including a review of Occupational Health and Welfare and Tasking and Coordination;
- i. delivery of a new performance reporting regime, providing Board members with detailed information on a monthly basis and supplying senior managers with the information required to assist in business planning;
- j. delivery of a revised business planning cycle including a three year strategy, annual threat assessment, control strategy and an annual operational plan;
- k. comprehensive review of CEOP's partnerships to ensure alignment of activity against the Centre's key threats, including re-focusing the Relationship Management Group;
- l. close engagement with the NCA Programme to facilitate the transition of the Centre into a Command in the new agency in October 2013.

### Key Issues

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

Overall Assessment

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

**Trevor Pearce** QPM  
Director General and Accounting Officer  
*Serious Organised Crime Agency*  
19 June 2013



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

I certify that I have audited the financial statements of the Serious Organised Crime Agency for the year ended 31 March 2013 under the Serious Organised Crime and Police Act 2005. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Serious Organised Crime and Police Act 2005. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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

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

#### **Opinion on Regularity**

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

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

In my opinion:

- ▶ the financial statements give a true and fair view of the state of Serious Organised Crime Agency's affairs as at 31 March 2013 and of the net expenditure for the year then ended; and

## Part Two: Statement of Accounts 2012/13

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- ▶ the financial statements have been properly prepared in accordance with the Serious Organised Crime and Police Act 2005 and Secretary of State directions issued thereunder.

### Opinion on other matters

In my opinion:

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

### Matters on which I report by exception

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

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

### Report

Without qualifying my opinion, I draw attention to the disclosures made in note 1 to the financial statements. In accordance with the Crime and Courts Act 2013, the Serious Organised Crime Agency will dissolve and its operations will transfer to the National Crime Agency. As the functions previously provided by the Serious Organised Crime Agency will continue to be provided by another public sector entity, it remains appropriate for the Serious Organised Crime Agency's financial statements to be prepared on a going concern basis in accordance with the Government Financial Reporting Manual issued by HM Treasury.

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

Date: 5 July 2013

## Part Two: Statement of Accounts 2012/13

Serious Organised Crime Agency

### Statement of Comprehensive Net Expenditure

As at 31 March 2013

|                                                                       | Note | 2012/13<br>£'000 | 2011/12<br>Restated<br>£'000 | 2010/11<br>Restated<br>£'000 |
|-----------------------------------------------------------------------|------|------------------|------------------------------|------------------------------|
| <b>Expenditure</b>                                                    |      |                  |                              |                              |
| Staff costs                                                           | 2    | (223,221)        | (218,014)                    | (239,713)                    |
| Pension costs                                                         | 2.e) | (31,544)         | (35,974)                     | 34,782                       |
| Depreciation and Amortisation                                         | 6,7  | (40,417)         | (48,448)                     | (39,873)                     |
| Operating Costs                                                       | 4    | (161,359)        | (173,445)                    | (167,479)                    |
| Impairments, losses on asset revaluation, adjustments and write offs  | 6,7  | (9,166)          | 256                          | (1,830)                      |
|                                                                       |      | <b>(465,707)</b> | <b>(475,625)</b>             | <b>(414,113)</b>             |
| <b>Income</b>                                                         |      |                  |                              |                              |
| Funding received separate from Grant-in-Aid                           | 5    | 29,927           | 31,318                       | 34,185                       |
| Rents and service charges                                             | 5    | 88               | 194                          | 56                           |
| Donations of goods and services                                       | 5    | 1,249            | 1,295                        | 1,702                        |
| Other operating income                                                | 5    | 1,451            | 842                          | 2,457                        |
| Recovery of costs                                                     | 5    | 563              | 209                          | 939                          |
| <b>Total operating income</b>                                         |      | <b>33,278</b>    | <b>33,858</b>                | <b>39,339</b>                |
| <b>Net Expenditure before interest and tax</b>                        |      | <b>(432,429)</b> | <b>(441,767)</b>             | <b>(374,774)</b>             |
| Tax                                                                   | 1.u) | (173)            | (24)                         | 1,037                        |
| Interest                                                              | 10   | -                | -                            | -                            |
| <b>Net expenditure after interest and tax</b>                         |      | <b>(432,602)</b> | <b>(441,791)</b>             | <b>(373,737)</b>             |
| Surplus/(loss) on disposal of non-current assets                      |      | (14)             | 8                            | (352)                        |
| Transfer from NPIA                                                    | 24   | (298)            | -                            | -                            |
| <b>Net expenditure for the financial year</b>                         |      | <b>(432,914)</b> | <b>(441,783)</b>             | <b>(374,089)</b>             |
| <b>Other Comprehensive Expenditure</b>                                |      |                  |                              |                              |
|                                                                       | Note | 2012/13<br>£'000 | 2011/12<br>£'000             | 2010/11<br>Restated<br>£'000 |
| <b>Net gain/(loss) on revaluation of Property Plant and Equipment</b> | 6    | 987              | 3,445                        | (1,437)                      |
| <b>Actuarial gain/(loss) on pension reserve</b>                       | 2.e) | (13,238)         | 7,182                        | 66,198                       |
| <b>Total Comprehensive Expenditure for the year ended 31 March</b>    |      | <b>(445,165)</b> | <b>(431,156)</b>             | <b>(309,328)</b>             |

The notes 1 to 28 form part of these accounts. See note 27 for prior year restatement relating to the change in accounting for ARIS income.

## Part Two: Statement of Accounts 2012/13

Serious Organised Crime Agency

### Statement of Financial Position

As at 31 March 2013

|                                                   | Note   | 2012/13<br>31 March<br>£'000 | 2011/12<br>Restated<br>31 March<br>£'000 | 2010/11<br>Restated<br>31 March<br>£'000 |
|---------------------------------------------------|--------|------------------------------|------------------------------------------|------------------------------------------|
| <b>Non-Current Assets</b>                         |        |                              |                                          |                                          |
| Property, Plant and Equipment                     | 6      | 123,713                      | 139,844                                  | 144,348                                  |
| Intangible non-current assets                     | 7      | 25,485                       | 30,699                                   | 37,919                                   |
|                                                   |        | <b>149,198</b>               | <b>170,543</b>                           | <b>182,267</b>                           |
| <b>Other Non-Current Assets</b>                   |        |                              |                                          |                                          |
| Receivables falling due after one year            | 9 c)   | 11                           | 45                                       | 97                                       |
| <b>Total Non-Current Assets</b>                   |        | <b>149,209</b>               | <b>170,588</b>                           | <b>182,364</b>                           |
| <b>Current Assets</b>                             |        |                              |                                          |                                          |
| Trade and other receivables                       | 9 a)   | 27,798                       | 41,022                                   | 42,123                                   |
| Cash and cash equivalents                         | 10     | 9,605                        | 49,014                                   | 32,285                                   |
| <b>Total Current Assets</b>                       |        | <b>37,403</b>                | <b>90,036</b>                            | <b>74,408</b>                            |
| <b>Total Assets</b>                               |        | <b>186,612</b>               | <b>260,624</b>                           | <b>256,772</b>                           |
| <b>Current Liabilities</b>                        |        |                              |                                          |                                          |
| Trade and Other payables                          | 11 a)  | (68,752)                     | (50,352)                                 | (45,764)                                 |
| Deferred income                                   | 11 a)  | (619)                        | (1,260)                                  | (405)                                    |
| <b>Total Current Liabilities</b>                  |        | <b>(69,371)</b>              | <b>(51,612)</b>                          | <b>(46,169)</b>                          |
| <b>Non-Current Assets plus Net Current Assets</b> |        | <b>117,241</b>               | <b>209,012</b>                           | <b>210,603</b>                           |
| <b>Non-Current Liabilities</b>                    |        |                              |                                          |                                          |
| IAS 19 Pension Liability                          | 2 e)   | (531,806)                    | (506,652)                                | (493,660)                                |
| Provisions                                        | 12     | (15,980)                     | (11,847)                                 | (9,074)                                  |
| Other payables                                    | 11 c)  | (3,553)                      | (3,871)                                  | (3,174)                                  |
| <b>Total Non-Current Liabilities</b>              |        | <b>(551,339)</b>             | <b>(522,370)</b>                         | <b>(505,908)</b>                         |
| <b>Assets less Liabilities</b>                    |        | <b>(434,098)</b>             | <b>(313,358)</b>                         | <b>(295,305)</b>                         |
| <b>Taxpayers' Equity</b>                          |        |                              |                                          |                                          |
| Net Expenditure Reserve                           | 16. a) | (38,631)                     | 69,128                                   | 91,622                                   |
| Other Reserves                                    | 16. b) | -                            | 150                                      | 4,731                                    |
| Pension Reserve                                   | 16. c) | (398,890)                    | (385,652)                                | (392,834)                                |
| Revaluation Reserve                               | 16 d)  | 3,423                        | 3,016                                    | 1,176                                    |
|                                                   |        | <b>(434,098)</b>             | <b>(313,358)</b>                         | <b>(295,305)</b>                         |

The Notes 1 to 28 form part of these Accounts

Please see note 27 for prior year restatement

The financial statements were approved by the Board on 19 June 2013 and were signed on its behalf by:

**Trevor Pearce** QPM

Director General and Accounting Officer

Serious Organised Crime Agency

19 June 2013

## Part Two: Statement of Accounts 2012/13

Serious Organised Crime Agency

### Statement of Cash Flows

for the year ended 31 March 2013

|                                                                                         | 2012/13<br>£'000 | 2011/12<br>Restated<br>£'000 |
|-----------------------------------------------------------------------------------------|------------------|------------------------------|
| <b>Cash flows from operating activities</b>                                             |                  |                              |
| Net expenditure for financial year                                                      | (432,914)        | (441,783)                    |
| Depreciation and Amortisation                                                           | 40,417           | 48,448                       |
| Credit from Government Grant Reserve                                                    | -                | -                            |
| Loss/(gain) on asset revaluation                                                        | 9,166            | (256)                        |
| (Surplus)/Loss on disposal of non-current assets                                        | 14               | (8)                          |
| Transfer from NPIA                                                                      | 298              | -                            |
| Pension costs                                                                           | 31,544           | 35,974                       |
| Employee contribution                                                                   | 2,433            | 2,501                        |
| (Increase)/Decrease in receivables falling due after one year                           | 34               | 52                           |
| (Increase)/Decrease in accounts receivables                                             | 17,314           | (1,453)                      |
| Increase/(Decrease) in accounts payable and deferred income falling due within one year | 17,759           | 5,443                        |
| Increase/(Decrease) for use of provisions                                               | 4,133            | 2,773                        |
| Increase/(Decrease) in accounts payables and deferred income falling due after one year | (318)            | 697                          |
| <b>Net cash outflow from operating activities</b>                                       | <b>(310,120)</b> | <b>(347,612)</b>             |
| Police Pension Payments made                                                            | (21,930)         | (18,230)                     |
| Cash Transfers in from other police pension schemes                                     | 110              | 29                           |
| <b>Net cash outflow from police pension payments</b>                                    | <b>(21,820)</b>  | <b>(18,201)</b>              |
| <b>Cash flows from investing activities</b>                                             |                  |                              |
| Purchase of non-current assets, property, plant and equipment                           | (23,858)         | (30,299)                     |
| Purchase of non-current intangible assets                                               | (4,134)          | (3,341)                      |
| Proceeds of disposal of property, plant and equipment                                   | 430              | 631                          |
| <b>Net cash outflow from investing activities</b>                                       | <b>(27,562)</b>  | <b>(33,009)</b>              |
| <b>Cash flows from financing activities</b>                                             |                  |                              |
| Actual Police Pension financing received                                                | 10,493           | 12,738                       |
| Grant-in-Aid for capital expenditure                                                    | 23,500           | 32,760                       |
| Grant-in-Aid for revenue expenditure                                                    | 286,250          | 374,634                      |
| Release of Other Reserves                                                               | (150)            | (4,581)                      |
| <b>Net Financing</b>                                                                    | <b>320,093</b>   | <b>415,551</b>               |
| <b>Net Increase in cash and cash equivalents in the period</b>                          | <b>(39,409)</b>  | <b>16,729</b>                |
| Cash and cash equivalents at the beginning of the period                                | 49,014           | 32,285                       |
| <b>Cash and cash equivalents at the end of the period</b>                               | <b>9,605</b>     | <b>49,014</b>                |

The Notes 1 to 28 form part of these Accounts.

## Part Two: Statement of Accounts 2012/13

Serious Organised Crime Agency

### Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2013

|                                                                 | <i>Restated<br/>Inc &amp; Exp<br/>Reserve<br/>£'000</i> | <i>Restated<br/>Pension<br/>Reserve<br/>£'000</i> | <i>Reval'n<br/>Reserve<br/>£'000</i> | <i>Donated<br/>Asset Reserve<br/>£'000</i> | <i>Other<br/>Reserves<br/>£'000</i> | <i>Restated<br/>Government<br/>Grant Reserve<br/>£'000</i> | <i>Restated<br/>Total<br/>Reserves<br/>£'000</i> |
|-----------------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------|--------------------------------------|--------------------------------------------|-------------------------------------|------------------------------------------------------------|--------------------------------------------------|
| <b>Balance at 31 March 2010 Restated</b>                        | <b>24,872</b>                                           | <b>(459,032)</b>                                  | <b>2,212</b>                         | -                                          | <b>4,731</b>                        | -                                                          | <b>(427,217)</b>                                 |
| <b>Changes in Reserves 2010/11</b>                              |                                                         |                                                   |                                      |                                            |                                     |                                                            |                                                  |
| Net gain/(loss) on revaluation of property, plant and equipment | -                                                       | -                                                 | 298                                  | -                                          | -                                   | -                                                          | 298                                              |
| Actuarial gain/(loss) on pension reserve                        | -                                                       | 66,198                                            | -                                    | -                                          | -                                   | -                                                          | 66,198                                           |
| Total recognised income and expense for 2009/10                 | (374,089)                                               | -                                                 | -                                    | -                                          | -                                   | -                                                          | (374,089)                                        |
| Grants received                                                 | -                                                       | -                                                 | -                                    | -                                          | -                                   | -                                                          | -                                                |
| Transfer between reserves                                       | 1,334                                                   | -                                                 | (1,334)                              | -                                          | -                                   | -                                                          | -                                                |
| Pension funding from Home Office                                | 8,520                                                   | -                                                 | -                                    | -                                          | -                                   | -                                                          | 8,520                                            |
| Grant-In-Aid received                                           | 430,985                                                 | -                                                 | -                                    | -                                          | -                                   | -                                                          | 430,985                                          |
| <b>Closing balance at 31 March 2011 restated</b>                | <b>91,622</b>                                           | <b>(392,834)</b>                                  | <b>1,176</b>                         | -                                          | <b>4,731</b>                        | -                                                          | <b>(295,305)</b>                                 |
| <b>Changes in Reserves for 2011/12</b>                          |                                                         |                                                   |                                      |                                            |                                     |                                                            |                                                  |
| Net gain/(loss) on revaluation of property, plant and equipment | -                                                       | -                                                 | 3,445                                | -                                          | -                                   | -                                                          | 3,445                                            |
| Actuarial gain/(loss) on pension reserve                        | -                                                       | 7,182                                             | -                                    | -                                          | -                                   | -                                                          | 7,182                                            |
| Total recognised income and expense for 2011/12                 | (441,783)                                               | -                                                 | -                                    | -                                          | -                                   | -                                                          | (441,783)                                        |
| Grants received                                                 | -                                                       | -                                                 | -                                    | -                                          | -                                   | -                                                          | -                                                |
| Transfer between reserves                                       | 1,605                                                   | -                                                 | (1,605)                              | -                                          | -                                   | -                                                          | -                                                |
| Release of unusable reserve                                     | -                                                       | -                                                 | -                                    | -                                          | (4,581)                             | -                                                          | (4,581)                                          |
| Pension funding from Home Office                                | 10,290                                                  | -                                                 | -                                    | -                                          | -                                   | -                                                          | 10,290                                           |
| Grant-In-Aid received                                           | 407,394                                                 | -                                                 | -                                    | -                                          | -                                   | -                                                          | 407,394                                          |
| <b>Closing balance at 31 March 2012 restated</b>                | <b>69,128</b>                                           | <b>(385,652)</b>                                  | <b>3,016</b>                         | -                                          | <b>150</b>                          | -                                                          | <b>(313,358)</b>                                 |
| <b>Changes in reserves for 2012/13</b>                          |                                                         |                                                   |                                      |                                            |                                     |                                                            |                                                  |
| Net gain on revaluation of property, plant, equipment           | -                                                       | -                                                 | 986                                  | -                                          | -                                   | -                                                          | 986                                              |
| Actuarial gain/(loss) on pension reserve                        | -                                                       | (13,238)                                          | -                                    | -                                          | -                                   | -                                                          | (13,238)                                         |
| Total recognised income and expense for 2012/13                 | (432,914)                                               | -                                                 | -                                    | -                                          | -                                   | -                                                          | (432,914)                                        |
| Transfer between reserves                                       | 579                                                     | -                                                 | (579)                                | -                                          | -                                   | -                                                          | -                                                |
| I&E transfer                                                    | -                                                       | -                                                 | -                                    | -                                          | (150)                               | -                                                          | (150)                                            |
| Pension funding from Home Office                                | 14,826                                                  | -                                                 | -                                    | -                                          | -                                   | -                                                          | 14,826                                           |
| Grant-In-Aid received                                           | 309,750                                                 | -                                                 | -                                    | -                                          | -                                   | -                                                          | 309,750                                          |
| <b>Closing balance at 31 March 2013</b>                         | <b>(38,631)</b>                                         | <b>(398,890)</b>                                  | <b>3,423</b>                         | -                                          | -                                   | -                                                          | <b>(434,098)</b>                                 |

The Notes 1 to 28 form part of these Accounts.

\* In 2011/12 £15.2m ARIS funds were accounted for as a funded grant rather than as deferred income. This resulted in SOCA having funding with no DEL allocation. In 2012/13 the accounting treatment for ARIS income has been revised and it is now treated as income in the year it is earned.

### **Notes to the Accounts for the period ended 31 March 2013**

#### **1 Statement of accounting policies**

##### **1 a) Basis of preparation**

These financial statements have been prepared in accordance with the 2012/13 Government Financial Reporting Manual (FReM) and Accounts Direction given by the Secretary of State for the Home Department with the consent of HM Treasury, under the Serious Organised Crime and Police Act 2005. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Serious Organised Crime Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Serious Organised Crime Agency for the period ending 31 March 2013 are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

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

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

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

##### **1 b) Grant-in-Aid and income recognition**

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

Previously, capital grants received, not part of Grant-in-Aid, were transferred to the Government Grant Reserve and released to the Statement of Comprehensive Net Expenditure to match the related depreciation charges. In accordance with changes in the FReM in respect of IAS 20 Accounting for Government Grants, a change in accounting policy was adopted from 2011/12. Where assets are financed by government grant from departments other than the sponsor department the funding element is recognised as income and taken through the Statement of Comprehensive Net Expenditure. This funding can only be deferred where there is a condition that has not been met, regarding the consumption of future economic benefits, for example, a grant that is conditional on the construction of an asset. SOCA has met all conditions set by funding providers.

### 1 c) Pensions Reserve

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

### 1 d) Non-current Assets

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

Capital assets, both tangible and intangible, are assets normally costing or valued at or above a capitalisation threshold set by the SOCA Board (currently £5,000) and with an expected working life of more than one year. However, technical equipment assets, the individual components of which cost less than £5,000 but which are non consumable in nature, will also be treated as capital assets. Non consumable is defined as a multiple use item, of long duration (beyond one year), reconfigurable and can be a component part of an item that can be assembled. Purchases for items to be used exclusively overseas are not capitalised if the assets are not expected to be utilised by SOCA staff for more than 12 months.

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

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

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

### 1 e) Depreciation and amortisation

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



## Part Two: Statement of Accounts 2012/13

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| <i>Asset type</i>                                        | <i>Useful life</i>                                                                                                                                                                                                                                                                                         |
|----------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Land and buildings                                       | Land is not depreciated. Buildings are depreciated to their estimated residual value over the remainder of the buildings' estimated economic lives. The range of buildings' lives at 31 March 2013 is 2014 to 2036 (1 to 23 years). SOCA has no plans to vacate any freehold or long leasehold buildings.. |
| Improvements to leasehold buildings                      | The shorter of the duration of lease or anticipated useful life of improvements, subject to maximum period of 10 years.                                                                                                                                                                                    |
| Motor vehicles                                           | 3-7 years                                                                                                                                                                                                                                                                                                  |
| Plant and equipment                                      | 3-5 years                                                                                                                                                                                                                                                                                                  |
| Furniture and fittings                                   | 5 years                                                                                                                                                                                                                                                                                                    |
| IT equipment                                             | 3-5 years                                                                                                                                                                                                                                                                                                  |
| Intangible non-current assets – IT licences and software | 3-5 years                                                                                                                                                                                                                                                                                                  |

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

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

### 1 f) Revaluation

SOCA has a policy of revaluing its non-current assets (excluding free-hold properties) annually by applying Government-approved indices per asset type. Freehold properties are subject to 5 yearly professional revaluations (last revaluation February 2013 by independent Knight Frank Chartered Surveyors), in the intervening years, they are revalued by applying Government-approved indices. Any gain on revaluation is credited to the Revaluation Reserve. A loss on revaluation is debited to the Statement of Comprehensive Net Expenditure to the extent that the loss exceeds the balance on the Revaluation Reserve for that asset.

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

Each year, samples of assets are verified. Any material changes to value identified through this verification (for example through impairment) are reflected in the carrying value of the asset.

### 1 g) Government Grant Reserve

Prior to 2011/12, capital grants received, not part of Grant-in-Aid, were transferred to the Government Grant Reserve and released to the Statement of Comprehensive Net Expenditure to match the related depreciation charges. In accordance with changes in the FReM in respect of IAS 20 a change in accounting policy was adopted in 2011/12. Where assets are financed by Government grant from departments other than the sponsor department the funding element is recognised as income and taken through the Statement of Comprehensive Net Expenditure. This funding can only be deferred where there

## Part Two: Statement of Accounts 2012/13

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is a condition that has not been met, regarding the consumption of future economic benefits, for example, a grant that is conditional on the construction of an asset. SOCA has met all conditions set by funding providers.

### 1 h) Donated Asset Reserve

In accordance with changes in the FReM in respect of IAS 20, a change in accounting policy has been adopted. Grant funding is released from the Donated Asset Reserve and recognised as income and taken through the Statement of Comprehensive Net Expenditure when it has been used to finance specific expenditure. This funding can only be deferred if a condition imposed by the funder has not been met. SOCA has met all conditions set by funding providers.

### 1 i) Recovered Assets

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

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

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

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

### 1 j) Foreign currency

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

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

### 1 k) Operating leases

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

## Part Two: Statement of Accounts 2012/13

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### 1 l) Rental and service charges income

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

### 1 m) Liquid Resources

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

### 1 n) Pension Costs

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

The cost of providing unfunded pension benefits for former police officers is charged to the Net Expenditure account over the qualifying service life of the officer. The qualifying service for these pension benefits includes prior service with a police force in addition to service with SOCA, although no funding is received from the officer's previous employer in relation to this past service. The annual charge to the Statement of Comprehensive Net Expenditure is calculated so that the Statement of Financial Position provision reflects the proportion of the future pension liability relevant to accumulated qualifying service at the Statement of Financial Position date. The Police Pension liability includes a provision for future injury awards. The Home Office reimburse SOCA's police net pension deficit annually. The deficit is caused by expenditure on pensions exceeding contributions. A cash disbursement is provided to SOCA separately and in addition to Home Office funded Grant-in-Aid. The net pension deficit for 2012/13 was £14.5m (2011/12: £10.2m).

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

### 1 o) Value Added Tax

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

## Part Two: Statement of Accounts 2012/13

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### 1 p) Donations Received

The Child Exploitation and Online Protection (CEOP) Centre at SOCA receives cash donations, donated assets and donations in kind, including staff time and use of assets, from various external sponsors and agencies. These donations are accounted for by following the guidance in the Charities Statement of Recommended Practice (SORP) which requires income to be recognised where donations in kind are received, matching expenditure in the Statement of Comprehensive Net Expenditure. This treatment departs from the Financial Reporting Manual (FRM) as set out under section 5.2.12 for assets received and section 4.5.1 for notional costs. However, SOCA has determined that the treatment under the SORP follows a clearer path for the reader of the accounts than the FRM treatment. Donations in kind are offset by notional expenditure such that there is a net nil effect on the accounts.

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

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

### 1 r) Assets Recovered Incentivisation Scheme (ARIS)

ARIS money is generated by SOCA in pursuit of its operating activities and money obtained by SOCA using criminal, civil and taxation based legislation is paid to the Home Office. In return, SOCA receives a percentage of this money in the form of an incentive payment from the Home office and as an additional income stream in order to enhance the performance of Asset Recovery activities. This additional income is effectively performance related.

ARIS income is required to be spent within the year it is earned. ARIS income is accounted for under the accruals concept, a change from the cash accounting concept adopted in previous years. The 2011/12 accounts have been restated to reflect this change, see Note 27.

Cumulative ARIS cash balances received at 31 March 2012, total £15.2m, were carried forward from 2011/12 to 2012/13 with the exceptional approval of the Home Office. In 2012/13, the Home Office did not provide SOCA with budgetary approval for these ARIS monies i.e. budget approval did not exceed that delegated via capital and resource DEL. Therefore SOCA could not utilise the ARIS funding as additional budget and instead utilised and accounted for the ARIS cash as Grant-in-Aid funding drawn against 2012/13 DEL; the outcome of which reduced the Grant-in-Aid funding down by SOCA in 2012/13.

### 1 s) Provisions

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

The Retirement provision has been created to provide for expected future pension obligations arising from the HM Treasury approved exit scheme SOCA adopted in October 2010. The valuation, as advised by HM Treasury, includes a discount factor of 2.35% that is applied to future years' cash flows with effect from 31 March 2013 (2.80% from 31 March 2012).

## Part Two: Statement of Accounts 2012/13

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The Dilapidation provision assesses and values expected dilapidation costs on buildings SOCA intends to leave. The provision is based on an estimated charge for the specific sites involved and allows for the reversal of any changes to the building made by SOCA and the costs of redecoration.

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

The Onerous Lease provision was created in 2011/12 in accordance with IAS37. The provision is for offices vacated by 31 March 2013 for which there is a lease obligation beyond 31 March 2013. The provision takes into account known future lease breaks and lease end dates.

### 1 t) Going Concern

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

The Statement of Financial Position at 31 March 2013 shows net liabilities of £434.1m (2011/12: £313.4m). This reflects the inclusion of pension liabilities falling due in future years which, to the extent that they are not met from SOCA's other sources of income, may only be met by future grants or Grants-in-Aid from the Home Office, SOCA's current sponsoring department and to the extent that they fall due after the formation of the National Crime Agency (NCA) by funding from HM Treasury. The liability accrues under the normal conventions applying to parliamentary control over income and expenditure. Such grants may not be issued until the liability falls due.

Grants and Grant-in-Aid for 2013/14, taking into account the amounts required to meet SOCA's liabilities falling due in that year, have already been included in the Home Office's estimates for that year. These have been approved by Parliament and there is no reason to believe that the Home Office's future sponsorship and future parliamentary approval will not be forthcoming.

The Government published in June 2011 its plans for the creation of a National Crime Agency which will come into being in late 2013. The NCA will incorporate the functions currently exercised by SOCA, a Non-Departmental Public Body, as well as a number of other national policing functions outlined including an Economic Border Command and a Border Policing Command which was outlined in the Coalition Agreement. The Home Secretary has outlined her plans for the new agency, and legislation proposing the dissolution of SOCA and the transfer of its functions to the NCA achieved Royal Assent on 25 April 2013. The basis of the transfer from SOCA to the NCA is proposed to be undertaken within the principles set out in the Machinery of Government framework. It has, therefore, been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

The NCA will be a Non-Ministerial Department and as such will be funded by HM Treasury. The NCA will be accountable to the Home Secretary for its performance.

### 1 u) Tax

SOCA is liable to pay Corporation Tax on interest received, paid and payable to the Home Office. Historically on advice from HMRC, the Home Office Non-Departmental Public Bodies (NDPB), of which SOCA is one, and Forensic Science Service have been operating as a Corporation Tax Group and sharing losses, however in 2011/12 HMRC issued advice stating that this was

## Part Two: Statement of Accounts 2012/13

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not correct. HMRC have agreed they will not go back to prior years to apply the correct treatment. For periods starting on or after 1 April 2011 Group Relief is not available.

SOCA, as an NDPB, has accrued £11.4k in 2012/13 according to the known Corporation Tax liability. SOCA is not liable to pay Corporation Tax on capital receipts provided it does not draw down its Grant-In-Aid cash funding in totality in year. In 2011/12 SOCA drew down its Grant-in-Aid allowance in full and was therefore liable to pay corporation tax on the entire proceeds from the sale of those assets in 2011/12 but did not accrue and pay the tax liability to this effect. The £161.6k corporation tax liability generated by asset disposal proceeds in 2011/12 was identified and subsequently corrected and paid in 2012/13.

In addition to the Corporation Tax liability SOCA recognises other taxes liable to be paid including: Home to duty use of fleet vehicles, taxation of armoured vehicles and the provision of accommodation for staff. SOCA has also included a tax liability in 2012/13 for the Retention of Specialist Services (ROSS) arising from the re-employment, as civilian staff, of retiring police officers.

### 1 v) General – income

SOCA's other income streams extend beyond Home Office Grant-in-Aid funding allocations. Income is recognised in the accounts when SOCA has provided services, delivered goods or has achieved agreed contractual milestones. Other income streams include revenue from the European Union, training courses provided by CEOP and costs recovered from other government bodies in accordance with agreed terms. From 2012/13 the contractual agreement for the receipt of funding from the Scottish Executive and the Police Service of Northern Ireland, relating to the fact that they benefit from work undertaken by SOCA, was transferred to the Home Office albeit the substance of the transaction has not changed. SOCA receives this income via the Home Office for work delivered which is not ring-fenced. This income is included in the Statement of Comprehensive Net Expenditure.

### 1 w) General expenditure

SOCA accounts for expenditure on an accrual basis.

### 1 x) Adoption of IFRS 3 – Absorption Costing

Six functions have merged with SOCA during 2012/13 from the National Policing Improvement Agency (NPIA). Absorption Accounting is applied for this Public Sector business combination. Retrospective restatement is not required and the Net Book Value transfer of net liabilities, as per the transferor's accounts, is reflected within expenses but outside of operating activities. "Common control" has been applied to this merger as both the NPIA and SOCA fall within the Home Office group.

The Proceeds of Crime Centre for legislative reasons cannot transfer to SOCA. However it will be a constituent of the NCA. From November 2012 the 21 staff employed in the department and associated costs were included in SOCA management accounts. As a result of the legal requirements for the POCC department to be included in the accounts of the NPIA SOCA has excluded the costs of this department from these accounts. Note 25 to the accounts provides additional information.

## Part Two: Statement of Accounts 2012/13

### International Financial Reporting Standards issued but not effective:

IFRS 7 Financial Instruments: Disclosure – offsetting of assets and liabilities and amendments to transition disclosures.

IFRS 9 – Financial Instruments

IFRS 10 – Consolidated Financial Statements

IFRS 11 – Joint Arrangements

IFRS 13 – Fair Value Measurement

The above have effective dates for annual periods beginning on or after 1 January 2013.

### 2 Staff numbers and related Staff costs comprise:

|                                                   | <i>Permanently<br/>Employed Staff</i> | <i>Others</i>    | <i>Total 2012/13</i> | <i>Total 2011/12</i> |
|---------------------------------------------------|---------------------------------------|------------------|----------------------|----------------------|
|                                                   | 2012/13                               | 2012/13          | 2012/13              | 2011/12              |
|                                                   | £'000                                 | £'000            | £'000                | £'000                |
| Wages and Salaries                                | 161,618                               | 11,829           | 173,447              | 169,743              |
| Social Security Costs                             | 13,795                                | -                | 13,795               | 13,695               |
| Other Pension Costs                               | 23,285                                | -                | 23,285               | 22,873               |
| Indirect Employee Costs*                          | 11,079                                | -                | 11,079               | 9,834                |
| <b>Sub Total</b>                                  | <b>209,777</b>                        | <b>11,829***</b> | <b>221,606</b>       | <b>216,145</b>       |
| Less recoveries in respect of outward secondments | (905)                                 | -                | (905)                | (898)                |
| <b>Sub Total</b>                                  | <b>208,872</b>                        | <b>11,829</b>    | <b>220,701</b>       | <b>215,247</b>       |
| Exit package costs**                              | 2,520                                 | -                | 2,520                | 2,767                |
| <b>Sub Total</b>                                  | <b>211,392</b>                        | <b>11,829</b>    | <b>223,221</b>       | <b>218,014</b>       |
| Pension costs actuarial valuation                 | 31,544                                | -                | 31,544               | 35,974               |
| <b>Total Net Costs</b>                            | <b>242,936</b>                        | <b>11,829</b>    | <b>254,765</b>       | <b>253,988</b>       |

\* Indirect Employee costs includes £0.01m (2011/12: £0.1m) for a tax liability, Training costs of £3.2m (2011/12: £3.1m) and £6.0m (2011/12: £6.6m) costs related to staff based overseas.

\*\* Exit package costs consist of £2.5m for the scheme adopted by SOCA in 2012/13. The scheme was approved by HM Treasury (2011/12: consists of £2.8m).

\*\*\* Other staff employed is analysed: Agency staff 22, Contract staff 10 and Seconded staff 78 (2011/12: Agency staff 39, Contract staff 5 and Seconded staff 39). The £11.8m cost in 2012/13 comprise £0.9m Agency staff, £2.8m Contract staff, Overseas staff £2.6m and £5.5m Seconded staff (2011/12: £9.6m comprising, £1.3m Agency staff, £3.0m Contract staff, Overseas staff £2.7m and £2.6m Seconded staff).

## Part Two: Statement of Accounts 2012/13

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### Average number of persons employed

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

| <i>Number</i>                     | <i>2012/13<br/>Total</i> | <i>2011/12<br/>Total</i> |
|-----------------------------------|--------------------------|--------------------------|
| Permanently Employed              | 3,706                    | 3,650                    |
| Others *                          | 110                      | 83                       |
| Staff engaged on capital projects | 1                        | 7                        |
| <b>Total</b>                      | <b>3,817</b>             | <b>3,740</b>             |

\* Other staff employed is analysed: Agency staff 22, Contract staff 10 and Seconded staff 78 (2011/12: Agency staff 39, Contract staff 5 and Seconded staff 39). Staff engaged on capital projects is analysed: Contractors 1 (2011/12: 7)

In addition to the above directly employed staff, SOCA had an average of 44 attached from other organisations (2011/12: 51) which are excluded from the above figures as they do not form part of the SOCA establishment. SOCA is not charged for the attached staff considered to be working for the benefit of their employers.

It is estimated that the cost of employing the attached staff to SOCA in 2012/13 would have been £2.2m (2011/12: £2.7m).

Costs totalling £0.1m (2011/12: £0.9m) were capitalised during the year for work carried out on capital projects.

During 2012/13 SOCA allocated 31.6 full time equivalent staff to work on NCA transition activities, at an estimated cost of £2.04m. The 31.6 FTE includes those attached to the NCA Programme, project management embedded within the NCA Programme Team, SOCA staff spending all or the majority of their time on NCA start up activity and those supporting appointed NCA Executive Directors. These staff worked on a number of key business areas such as Human Resources, Finance, ICT and Estates. Within operational areas both pilot activity and proof of concept work was undertaken for new capabilities. Both FTE and costs associated with NCA activity are included within the information stated above.

### Pension benefits

#### (a) Principal Civil Service Pension Scheme (PCSPS)

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

A full actuarial valuation was carried out as at 31 March 2007. The scheme bands were adjusted in 2007/08 and the contribution rates adjusted in 2008/09 and 2012/13. The contributions are set to meet some of the pension cost of the members on retirement. The state of the current scheme is currently under review. From 30 July 2007 the existing scheme was closed to new entrants and scheme amendments allowed staff in classic or classic plus who leave after 1 October 2007 to give up some of their pension in exchange for a higher tax-free lump sum. Employees joining after 30 July 2007 are able to join the nuvos scheme, a defined benefit scheme with, in common with the existing premium and classic plus schemes, a member contribution rate of between 3.5% and 8.25% of pensionable pay. Employee contributions have a contribution

## Part Two: Statement of Accounts 2012/13

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rate of 1.5% to 6.25% of pensionable earnings for the classic scheme. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2012/13 employer contributions of £23.1m (2011/12: £22.7m) were payable to PCSPS at one of four rates in the range between 16.7% and 24.3% of pensionable pay (2011/12: 16.7% and 24.3%), based on salary bands. This includes £0.7m of contributions paid to other agencies e.g. Home Office, in respect of staff seconded to SOCA (2011/12: £0.4m). The contribution rates reflect benefits as they accrue, not when the costs are actually incurred, and reflect past experience of the scheme.

In addition, employer contributions of 0.8% (2011/12: 0.8%) of pensionable pay are payable to PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of employees. Contributions of £9k were payable for 2012/13 to PCSPS in respect of these benefits (2011/12: £8k).

### (b) Partnership and Stakeholder Schemes

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions for partnership pensions are payable to one or more of a panel of four appointed stakeholder pension providers. These contributions are age related and range from 3% to 15.5% of pensionable pay (2011/12: 3% to 15.5%). Employers also match employee contributions up to 15.5% of pensionable pay. During 2012/13 SOCA paid employers' contributions of £0.16m to stakeholder pension providers (2011/12: £0.14m).

### (c) Local Government Pension Scheme (LGPS)

The LGPS is a multi-employer defined benefit scheme and eligible employees participate in a fund managed by the London Pensions Fund Authority (LPFA). In order to comply with the Government Finance Reporting Manual SOCA is required to provide in these accounts for the full value of the expected future pension liabilities to the officers. The LPFA have provided a valuation of the scheme assets as at 31 March 2013 showing net pension liability of £0.063m (2011/12 scheme liability of £0.13m); this figure is reflected on the Statement of Financial Position.

*The net scheme assets at 31 March:*

|                                                   | 2012/13<br>£'000 | 2011/12<br>£'000 | 2010/11<br>£'000 |
|---------------------------------------------------|------------------|------------------|------------------|
| Present value of Assets                           | 1,049            | 924              | 888              |
| Present value of Liabilities                      | (1,112)          | (1,056)          | (837)            |
| Net pension asset/(liability)                     | (63)             | (132)            | 51               |
| Movement in Pension Asset/Reserve                 | 73               | (195)            | 188              |
| Surplus/(Loss) in Statement of Financial Position | 10               | (327)            | 239              |

## Part Two: Statement of Accounts 2012/13

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

*The net scheme assets at 31 March:*

|                           | 2012/13<br>% | 2011/12<br>% | 2010/11<br>% |
|---------------------------|--------------|--------------|--------------|
| Inflation assumption      | 3.4          | 3.3          | 3.5          |
| Rate of salaries increase | 4.3          | 4.2          | 4.5          |
| Rate of pensions increase | 2.6          | 2.5          | 2.7          |
| Discount rate             | 4.7          | 4.6          | 5.5          |

During 2012/13, employer contributions of £0.033m (2011/12: £0.041m) were paid to the LPFA at 16.9% of pensionable pay (2011/12: 14.9%). The contribution rate is determined by the Fund actuary based on a three yearly actuarial valuation. Under pension fund regulations the contribution rates must be set to meet the overall liabilities of the Fund. The latest formal valuation of the LPFA pension fund was at 31 March 2013. The fair value of assets held by the scheme at the beginning of the year and at the end of the year is disclosed below, analysed by investment class, together with expected rate of return for each class for the subsequent period.

*Fair value of assets*

|                             | Assets at<br>31 March 2013<br>£'000 | Expected rate of<br>return at<br>31 March 2013<br>% | Assets at<br>31 March 2012<br>£'000 | Expected rate of<br>return at<br>31 March 2012<br>% | Assets at<br>31 March 2011<br>£'000 | Expected rate of<br>return at<br>31 March 2011<br>% |
|-----------------------------|-------------------------------------|-----------------------------------------------------|-------------------------------------|-----------------------------------------------------|-------------------------------------|-----------------------------------------------------|
| Equities                    | 766                                 | 6.0%                                                | 675                                 | 6.3%                                                | 612                                 | 7.4%                                                |
| Target Rate Portfolio/Bonds | 105                                 | 4.6%                                                | 111                                 | 4.5%                                                | 107                                 | 4.5%                                                |
| Alternative Assets/Property | 157                                 | 5.0%                                                | 129                                 | 5.3%                                                | 124                                 | 6.4%                                                |
| Cash                        | 21                                  | 0.5%                                                | 9                                   | 3.0%                                                | 27                                  | 3.0%                                                |
| Corporate Bonds             | 0                                   | 0%                                                  | 0                                   | 0%                                                  | 18                                  | 5.5%                                                |
| <b>Total</b>                | <b>1,049</b>                        | <b>5.6%</b>                                         | <b>924</b>                          | <b>5.9%</b>                                         | <b>888</b>                          | <b>6.7%</b>                                         |

### (d) Police Pension Scheme

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

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

Pension benefits are paid from SOCA resources as they fall due. In 2012/13, £21.9m was paid to pensioners (2011/12: £18.2m).

Pensions paid in the year are charged against the Pension liability. SOCA incurred employer contributions at the rate of 24.2% of pensionable pay in the year totalling £4.8m (2011/12: £5.3m).

## Part Two: Statement of Accounts 2012/13

In order to comply with the Government Financial Reporting Manual and Accounts Guidance, SOCA is required to provide in these accounts for the full value of the expected future pensions liabilities of the officers. Since 2010/11 the Government Actuary's Department (GAD) has valued contingent injury awards, the previous approach valued injury awards as they came into payment. This change in practice is due to the adoption of IAS19. SOCA commissioned GAD to value the scheme liabilities as at 31 March 2013. Full provision for this liability in 2012/13 of £531.74m (2011/12: £506.52m) is reflected in the Statement of Financial Position and is based on the assumptions and information set out below.

### *Pension liabilities*

|                                                | <i>2012/13</i><br><i>£'000</i> | <i>2011/12</i><br><i>£'000</i> | <i>2010/11</i><br><i>£'000</i><br><i>Restated</i> |
|------------------------------------------------|--------------------------------|--------------------------------|---------------------------------------------------|
| Present value of liabilities – police officers | <b>531,743</b>                 | <b>506,520</b>                 | <b>493,711</b>                                    |
| <b>Net pension liabilities</b>                 | <b>531,743</b>                 | <b>506,520</b>                 | <b>493,711</b>                                    |

### **Main assumptions**

|                                        | <i>% pa</i> | <i>% pa</i> | <i>% pa</i> |
|----------------------------------------|-------------|-------------|-------------|
| Inflation assumption                   | 1.70        | 2.00        | 2.65        |
| Rate of increase in salaries           | 3.95        | 4.25        | 4.90        |
| Rate of increase in pensions           | 1.70        | 2.00        | 2.65        |
| Rate of discounting scheme liabilities | 4.10        | 4.85        | 5.60        |

### *Actuarial gains and losses for year*

|                                                            | <i>2012/13</i><br><i>£'000</i> | <i>2011/12</i><br><i>£'000</i> | <i>2010/11</i><br><i>£'000</i> |
|------------------------------------------------------------|--------------------------------|--------------------------------|--------------------------------|
| <i>Direct Recruits Scheme</i>                              |                                |                                |                                |
| Experience gains                                           | 21,289                         | 11,040                         | 22,160                         |
| Effect of changes in demographic and financial assumptions | (34,600)                       | (3,660)                        | 43,850                         |
| <b>Total actuarial gains/(losses)</b>                      | <b>13,311</b>                  | <b>7,380</b>                   | <b>66,010</b>                  |

## Part Two: Statement of Accounts 2012/13

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

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

#### Changes in Pension Assets and Liabilities for the Year by Scheme

|                                                               | 2012/13<br>LGPS<br>£'000 | 2012/13<br>Police Officers<br>£'000 | 2012/13<br>Total<br>£'000 | 2011/12<br>PO/LGPS<br>Total<br>£'000 | 2010/11<br>PO/LGPS<br>Total<br>£'000 |
|---------------------------------------------------------------|--------------------------|-------------------------------------|---------------------------|--------------------------------------|--------------------------------------|
| <b>Operating cost:</b>                                        |                          |                                     |                           |                                      |                                      |
| Current service cost net of employee contributions            | 42                       | 7,170                               | 7,212                     | 8,550                                | (60,163)                             |
| Transfers                                                     | -                        | 110                                 | 110                       | 29                                   | -                                    |
| Employers contribution                                        | (33)                     | -                                   | (33)                      | (41)                                 | (38)                                 |
| <b>Finance cost:</b>                                          |                          |                                     |                           |                                      |                                      |
| Interest on pension liabilities                               | 49                       | 24,260                              | 24,309                    | 27,497                               | 25,472                               |
| Expected return of employer assets                            | (54)                     | -                                   | (54)                      | (61)                                 | (53)                                 |
| <b>Net Return</b>                                             | <b>4</b>                 | <b>31,540</b>                       | <b>31,544</b>             | <b>35,974</b>                        | <b>(34,782)</b>                      |
| <b>Actuarial gain/(loss)</b>                                  |                          |                                     |                           |                                      |                                      |
| Experience gain/(loss) on pension liabilities                 | (4)                      | 21,289                              | 21,285                    | 11,047                               | 22,203                               |
| Actuarial return less expected return on scheme assets        | 77                       | -                                   | 77                        | (52)                                 | 3                                    |
| Changes in demographic & financial assumptions                | -                        | (34,600)                            | (34,600)                  | (3,813)                              | 43,992                               |
| <b>Total Actuarial Gain/(Loss) charged to Pension Reserve</b> | <b>73</b>                | <b>(13,311)</b>                     | <b>(13,238)</b>           | <b>7,182</b>                         | <b>66,198</b>                        |
| <b>Movement in the provision during the year</b>              |                          |                                     |                           |                                      |                                      |
|                                                               | 2012/13<br>LGPS<br>£'000 | 2012/13<br>Police Officers<br>£'000 | 2012/13<br>Total<br>£'000 | 2011/12<br>PO/LGPS<br>Total<br>£'000 | 2010/11<br>PO/LGPS<br>Total<br>£'000 |
| Net liabilities at start of year                              | 132                      | 506,520                             | 506,652                   | 493,660                              | 609,656                              |
| Current & past service cost                                   | 44                       | 9,472                               | 9,516                     | 10,982                               | (57,239)                             |
| Pensions paid in the year                                     | (2)                      | (21,930)                            | (21,932)                  | (18,232)                             | (17,932)                             |
| Employer's contribution                                       | (33)                     | -                                   | (33)                      | (41)                                 | (38)                                 |
| Pension transfers-in                                          | -                        | 110                                 | 110                       | 29                                   | -                                    |
| Net finance charge                                            | (5)                      | 24,260                              | 24,255                    | 27,436                               | 25,411                               |
| Actuarial (gain)/loss                                         | (73)                     | 13,311                              | 13,238                    | (7,182)                              | (66,198)                             |
| <b>Net (assets) liabilities at end of year</b>                | <b>63</b>                | <b>531,743</b>                      | <b>531,806</b>            | <b>506,652</b>                       | <b>493,660</b>                       |

## Part Two: Statement of Accounts 2012/13

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

| <i>Exit Package Cost Band</i> | <i>2012/13<br/>Total number of Exit<br/>Packages by cost band</i> | <i>2011/12<br/>Total number of Exit<br/>Packages by cost band</i> |
|-------------------------------|-------------------------------------------------------------------|-------------------------------------------------------------------|
| <£10,000                      | -                                                                 | -                                                                 |
| £10,000 - £25,000             | 1                                                                 | 7                                                                 |
| £25,000 - £50,000             | 6                                                                 | 25                                                                |
| £50,000 - £100,000            | 15                                                                | 14                                                                |
| £100,000 - £150,000           | 8                                                                 | 4                                                                 |
| £150,000 - £200,000           | 2                                                                 | -                                                                 |
| £200,000 - £250,000           | -                                                                 | 1                                                                 |
| Total Number Of Exit Packages | 32                                                                | 51                                                                |
| Total resource Cost (£'000)   | 2,520                                                             | 2,767                                                             |

There were no compulsory redundancies in 2012/13 or 2011/12.

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

The exit schemes adopted were approved by HM Treasury. The Scheme adopted in 2010/11 required a provision to be established to fund pension payments for 45 staff until they reached 60 years of age. The Annual Estimated pension was calculated and adjusted for a discount rate of 2.8% per annum for 31 March 2012 and from 31 March 2013 the rate reduces to 2.35%

The Scheme applied in 2012/13 was accepted by 32 staff, including two Executive Directors (2011/12: was accepted by 51 staff, including one Executive Director) and did not require a provision to meet future years costs. All costs associated with this scheme have been incurred in 2012/13. Staff who accepted these opportunities are at senior management grades (SOCA Grades 2 and above).

## Part Two: Statement of Accounts 2012/13

### 4 Operating Expenditure

|                                                     | 2012/13 | 2012/13        | 2011/12 | 2011/12        |
|-----------------------------------------------------|---------|----------------|---------|----------------|
|                                                     | £'000   | £'000          | £'000   | £'000          |
| Premises costs (excluding onerous lease provision)* | 47,173  |                | 46,079  |                |
| Onerous lease provision                             | 487     |                | 4,466   |                |
| IT expenses                                         | 52,985  |                | 59,700  |                |
| Accommodation, subsistence and general expenses     | 14,423  |                | 13,293  |                |
| Transport costs                                     | 8,888   |                | 8,883   |                |
| Office and general expenses                         | 1,461   |                | 1,704   |                |
| Conference set up and running costs                 | 505     |                | 455     |                |
| Office equipment and repairs                        | 557     |                | 444     |                |
|                                                     |         | <b>126,479</b> |         | <b>135,024</b> |
| Operational and communication costs                 | 18,828  |                | 19,369  |                |
| Europol subscription (rebate)**                     | -       |                | (309)   |                |
| Interpol subscription                               | 2,810   |                | 2,821   |                |
| Other operating subscriptions                       | (17)    |                | 1,805   |                |
| Foreign exchange (gain)/loss                        | 145     |                | 6       |                |
|                                                     |         | <b>21,766</b>  |         | <b>23,692</b>  |
| Fees:                                               |         |                |         |                |
| Forensic fees                                       | 2,534   |                | 2,052   |                |
| Interim Receivers' fees                             | 217     |                | 280     |                |
| External audit fee                                  | 132     |                | 132     |                |
|                                                     |         | <b>2,883</b>   |         | <b>2,464</b>   |
| Other Expenditure:                                  |         |                |         |                |
| Grants to forces and other public sector bodies***  |         | (323)          |         | 2,063          |
| Notional expenditure covered by donations           |         | 1,249          |         | 1,295          |
| Contract charges****                                |         | -              |         | 4,933          |
| Professional services and legal fees*****           |         | 9,305          |         | 3,974          |
|                                                     |         | <b>161,359</b> |         | <b>173,445</b> |

\*The above note includes further analysis of Premises costs. The analysis is provided to explain the impact of the Onerous leases provision, for properties vacated by 31 March 2013, on 2011/12 and 2012/13 expenditure.

\*\*Until 31 December 2009 Europol was funded by individual member states within the European Community. SOCA was allocated this responsibility on behalf of the UK. On 1 January 2010 the European Commission commenced funding Europol directly on behalf of all member states. The return of funds in 2011/12 relates to the UK proportion of the Europol under spend in the year to 31 December 2009.

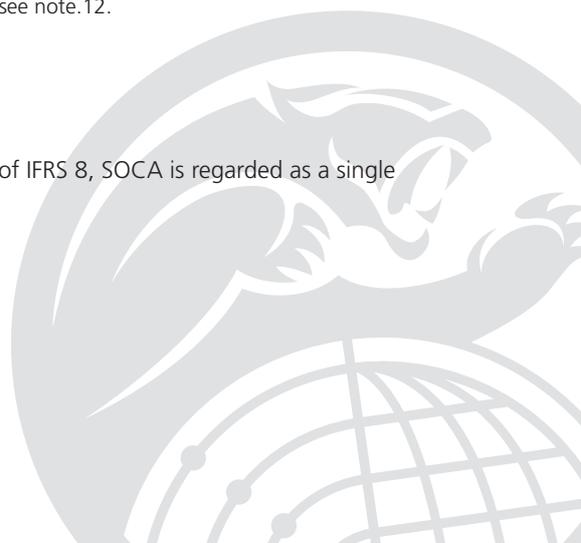
\*\*\*SOCA's financial contribution to a law enforcement agency to fund a joint intelligence unit has been reviewed and agreed at a lower value to that estimated in 2011/12.

\*\*\*\*Contract charges in 2011/12 are relating to a contract that finished in that year.

\*\*\*\*\*Professional services and fees costs for 2012/13 includes the increase in legal provisions see note.12.

#### 4 a) Analysis of Net Expenditure by Segment

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



## Part Two: Statement of Accounts 2012/13

### 5. Income and Funding

|                                                     | 2012/13<br>£'000 | 2011/12<br>Restated<br>£'000 |
|-----------------------------------------------------|------------------|------------------------------|
| <i>Funding received separate from Grant-in-Aid:</i> |                  |                              |
| Scottish Executive contributions*~                  | 5,543            | 6,336                        |
| Police Service of Northern Ireland contributions~   | 1,479            | 1,495                        |
| Recovered Asset Incentivisation Fund**              | 4,195            | 7,017                        |
| EU Funding                                          | 591              | 557                          |
| Civil recoveries applied to receivers' fees         | 217              | 280                          |
| Specific operational funding***                     | 17,607           | 15,553                       |
| Others                                              | 295              | 80                           |
|                                                     | <b>29,927</b>    | <b>31,318</b>                |
| <i>Donation of goods and services (excl cash):</i>  |                  |                              |
| Donations over £250k                                | 655              | 617                          |
| Donations under £250k                               | 594              | 678                          |
|                                                     | <b>1,249</b>     | <b>1,295</b>                 |
| Other operating income                              |                  |                              |
| Cash Donations                                      | -                | 205                          |
| Others                                              | 1,451            | 637                          |
|                                                     | <b>1,451</b>     | <b>842</b>                   |

\* The Scottish Executive funding for 2010/11 and 2011/12 was agreed at £5.661m and £5.602m respectively during 2011/12. The variance between the 2011/12 value and the figure presented in the table above reflects SOCA's prudent view in 2010/11 of reduced funding while negotiations continued. Negotiations concluded during 2011/12 and the expected reduction in funding did not occur.

~ For 2012/13 the Scottish Executive and Police Service of Northern Ireland funding contract was changed. Under the Clear Line of Sight directive the contracts are now with the Home Office.

\*\* See Accounting policy note 1.r) and Reconciliation of Restatements note 27 to confirm the change in accounting policy adopted for ARIS income, from cash accounting to the accrual accounting concept.

\*\*\* In accordance with changes in the FRM in respect of IAS 20 a change in accounting policy has been adopted that requires restatement of the Government Grant Reserve and Donated Asset Reserve. Where expenditure had been financed by grants in order to create reserves the funding element is now recognised as income and taken through the Statement of Comprehensive Net Expenditure i.e. the reduction to £nil of both reserves in the Statement of Financial Position. This funding can only be deferred where there is a condition that has not been met, regarding the consumption of future economic benefits, for example, a grant that is conditional on the construction of an asset. SOCA has met all conditions set by the funding providers

Rents and service charges of £88k (2011/12: £194k) relate to the sub-let of SOCA estate to a Law Enforcement Agency.

#### 5 a) Funding

Funding includes grants and contributions received from Home Office and other government bodies. SOCA received Grant-in-Aid cash funding from the Home Office totalling £309.8m (2011/12: £407.4m), considered as financing and therefore included as part of the Changes in Taxpayers Equity. The reduction of cash funding in 2012/13 reflects utilisation of cash balances brought forward, increases in accrued spend, reductions in Trade Receivables and a reduction in near-cash DEL.

In addition to the Grant-In-Aid budget received by SOCA in 2012/13, the Agency also received £17.6m (2011/12: £15.6m) to undertake a number of discreet projects, for example Cyber Crime. The funding is received from the Home Office £12.4m (2011/12: £8m), the Foreign and Commonwealth Office £4.3m (2011/12: £3.6m), the National Police Improvement Agency (now part of Home Office) £0.9m (2011/12: £3.9m) and other Government Departments £nil (2011/12: £0.1m). Additionally £0.6m was received from the EU (2011/12: £0.6m) to fund cross border initiatives. All of these projects cover more than one financial year.

## Part Two: Statement of Accounts 2012/13

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### 5 b) Donations of goods and services

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

In the period to 31 March 2013, various goods and services with an estimated value of £1.249m (2011/12: £1.295m) have been received from organisations and charities which have been used by CEOP to support its objectives. There was one (2011/12: one) contribution of £0.348m received (2011/12: £0.317m) and 18 additional contributions (2011/12: 20) totalling £0.901m (2011/12: £0.978m) received in the year.

No cash donations were received in 2012/13 (2011/12: £0.205m).

### 5 c) Costs recovered

Other income includes costs recovered from other Law Enforcement Agencies in 2012/13 of £229,000 (2011/12: £209,000), the Foreign and Commonwealth Office £226k and operational activity funded by Other Government Departments £108k.



## Part Two: Statement of Accounts 2012/13

### 6 a) Tangible Non Current Assets - Property, Plant and Equipment at 31 March 2013

|                                            | <i>Buildings</i> | <i>Land</i>  | <i>Improve-<br/>ments to<br/>leasehold<br/>buildings</i> | <i>Motor<br/>vehicles</i> | <i>IT Assets</i> | <i>Plant &amp;<br/>Machinery</i> | <i>Furniture &amp;<br/>Fitting</i> | <i>Payments on<br/>account &amp;<br/>assets under<br/>construction</i> | <i>Total</i>   |
|--------------------------------------------|------------------|--------------|----------------------------------------------------------|---------------------------|------------------|----------------------------------|------------------------------------|------------------------------------------------------------------------|----------------|
|                                            | <i>£'000</i>     | <i>£'000</i> | <i>£'000</i>                                             | <i>£'000</i>              | <i>£'000</i>     | <i>£'000</i>                     | <i>£'000</i>                       | <i>£'000</i>                                                           | <i>£'000</i>   |
| <i>Cost of valuation</i>                   |                  |              |                                                          |                           |                  |                                  |                                    |                                                                        |                |
| At 1 April 2012                            | 28,943           | 4,000        | 99,583                                                   | 38,710                    | 67,380           | 46,334                           | 7,238                              | 12,065                                                                 | 304,253        |
| Additions                                  | 1,454            | -            | 2,064                                                    | 2,179                     | 2,515            | 413                              | 412                                | 14,427                                                                 | 23,464         |
| Disposals                                  | (24)             | -            | (3,441)                                                  | (4,593)                   | 602              | 72                               | (2)                                | -                                                                      | (7,386)        |
| Impairments and write-offs                 | -                | -            | (17)                                                     | (1)                       | (23)             | -                                | -                                  | -                                                                      | (41)           |
| Transfers (internal)                       | 33               | -            | 218                                                      | 1,202                     | 6,659            | (4)                              | 10                                 | (8,118)                                                                | -              |
| Transfers from NPIA                        | -                | -            | -                                                        | 110                       | 43               | -                                | -                                  | -                                                                      | 153            |
| Revaluations                               | (12,326)         | (959)        | 95                                                       | 222                       | 3,708            | 163                              | 104                                | -                                                                      | (8,993)        |
| <b>At 31 March 2013</b>                    | <b>18,080</b>    | <b>3,041</b> | <b>98,502</b>                                            | <b>37,829</b>             | <b>80,884</b>    | <b>46,978</b>                    | <b>7,762</b>                       | <b>18,374</b>                                                          | <b>311,450</b> |
| <i>Depreciation</i>                        |                  |              |                                                          |                           |                  |                                  |                                    |                                                                        |                |
| At 1 April 2012                            | 9,235            | -            | 36,458                                                   | 29,664                    | 45,097           | 39,388                           | 4,567                              | -                                                                      | 164,409        |
| Charge in year                             | 1,958            | -            | 11,904                                                   | 2,621                     | 9,989            | 3,515                            | 870                                | 141                                                                    | 30,998         |
| Disposals                                  | (23)             | -            | (3,441)                                                  | (4,129)                   | 602              | 72                               | (2)                                | -                                                                      | (6,921)        |
| Impairments and write-offs                 | -                | -            | (13)                                                     | (1)                       | (18)             | -                                | -                                  | -                                                                      | (32)           |
| Transfers                                  | 45               | -            | (18)                                                     | -                         | 234              | (124)                            | 4                                  | (141)                                                                  | -              |
| Transfers from NPIA                        | -                | -            | -                                                        | 67                        | 39               | -                                | -                                  | -                                                                      | 106            |
| Revaluation                                | (2,812)          | -            | (135)                                                    | 94                        | 1,888            | 86                               | 56                                 | -                                                                      | (823)          |
| <b>At 31 March 2013</b>                    | <b>8,403</b>     | <b>-</b>     | <b>44,755</b>                                            | <b>28,316</b>             | <b>57,831</b>    | <b>42,937</b>                    | <b>5,495</b>                       | <b>-</b>                                                               | <b>187,737</b> |
| <b>Net book value</b>                      |                  |              |                                                          |                           |                  |                                  |                                    |                                                                        |                |
| <b>At 31 March 2013</b>                    | <b>9,677</b>     | <b>3,041</b> | <b>53,747</b>                                            | <b>9,513</b>              | <b>23,053</b>    | <b>4,041</b>                     | <b>2,267</b>                       | <b>18,374</b>                                                          | <b>123,713</b> |
| At 1 April 2012                            | 19,708           | 4,000        | 63,125                                                   | 9,046                     | 22,283           | 6,946                            | 2,671                              | 12,065                                                                 | 139,844        |
| <i>Asset financing:</i>                    |                  |              |                                                          |                           |                  |                                  |                                    |                                                                        |                |
| Owned                                      | 9,677            | 3,041        | 53,747                                                   | 9,513                     | 23,053           | 4,041                            | 2,267                              | 18,374                                                                 | 123,713        |
| <b>Net book value<br/>at 31 March 2013</b> | <b>9,677</b>     | <b>3,041</b> | <b>53,747</b>                                            | <b>9,513</b>              | <b>23,053</b>    | <b>4,041</b>                     | <b>2,267</b>                       | <b>18,374</b>                                                          | <b>123,713</b> |

The major capital projects in 2012/13 were the on-going IT Modernisation Programme £7.5m (2011/12: £12m), and vehicle replacement programme £3.9m (2011/12: £3m). These capital projects enable SOCA to improve operational effectiveness. In addition, £2.4m was spent on projects to prepare SOCCA for the move to NCA (2011/12: £0.6m), and £2.8m on a programme of essential and high priority works across the SOCA estate to replace and alter structural and mechanical assets.

## Part Two: Statement of Accounts 2012/13

Freehold properties were valued professionally by Knight Frank Chartered Surveyors in February 2013.

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

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

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

|                                        | Buildings     | Land         | Improve-<br>ments to<br>leasehold<br>buildings | Motor<br>vehicles | IT Assets     | Plant &<br>Machinery | Furniture &<br>Fitting | Payments on<br>account &<br>assets under<br>construction | Total          |
|----------------------------------------|---------------|--------------|------------------------------------------------|-------------------|---------------|----------------------|------------------------|----------------------------------------------------------|----------------|
|                                        | £'000         | £'000        | £'000                                          | £'000             | £'000         | £'000                | £'000                  | £'000                                                    | £'000          |
| <i>Cost of valuation</i>               |               |              |                                                |                   |               |                      |                        |                                                          |                |
| At 01 April 2011                       | 27,473        | 3,828        | 82,689                                         | 38,211            | 54,331        | 43,662               | 5,981                  | 14,525                                                   | 270,700        |
| Additions                              | 123           | -            | 7,173                                          | 2,191             | 6,602         | 2,836                | 704                    | 11,051                                                   | 30,680         |
| Disposals                              | (300)         | -            | (111)                                          | (1,803)           | (2)           | (172)                | (143)                  | -                                                        | (2,531)        |
| Impairments and write-offs             | -             | -            | 54                                             | (17)              | 315           | (188)                | 6                      | -                                                        | 170            |
| Transfers                              | -             | -            | 6,705                                          | -                 | 6,095         | 29                   | 682                    | (13,511)                                                 | -              |
| Revaluations                           | 1,647         | 172          | 3,073                                          | 128               | 39            | 167                  | 8                      | -                                                        | 5,234          |
| <b>At 31 March 2012</b>                | <b>28,943</b> | <b>4,000</b> | <b>99,583</b>                                  | <b>38,710</b>     | <b>67,380</b> | <b>46,334</b>        | <b>7,238</b>           | <b>12,065</b>                                            | <b>304,253</b> |
| <i>Depreciation</i>                    |               |              |                                                |                   |               |                      |                        |                                                          |                |
| At 01 April 2011                       | 7,261         | -            | 26,035                                         | 27,064            | 34,322        | 28,222               | 3,448                  | -                                                        | 126,352        |
| Charge in year                         | 1,828         | -            | 9,351                                          | 4,072             | 10,896        | 10,997               | 1,118                  | -                                                        | 38,262         |
| Disposals                              | (274)         | -            | (94)                                           | (1,528)           | (2)           | (10)                 | -                      | -                                                        | (1,908)        |
| Impairments and write-offs             | -             | -            | -                                              | (17)              | (118)         | 51                   | (2)                    | -                                                        | (86)           |
| Transfers                              | -             | -            | -                                              | -                 | -             | -                    | -                      | -                                                        | -              |
| Revaluation                            | 420           | -            | 1,166                                          | 73                | (1)           | 128                  | 3                      | -                                                        | 1,789          |
| <b>At 31 March 2012</b>                | <b>9,235</b>  | <b>-</b>     | <b>36,458</b>                                  | <b>29,664</b>     | <b>45,097</b> | <b>39,388</b>        | <b>4,567</b>           | <b>-</b>                                                 | <b>164,409</b> |
| <b>Net book value</b>                  |               |              |                                                |                   |               |                      |                        |                                                          |                |
| <b>At 31 March 2012</b>                | <b>19,708</b> | <b>4,000</b> | <b>63,125</b>                                  | <b>9,046</b>      | <b>22,283</b> | <b>6,946</b>         | <b>2,671</b>           | <b>12,065</b>                                            | <b>139,844</b> |
| <b>At 01 April 2011</b>                | <b>20,212</b> | <b>3,828</b> | <b>56,654</b>                                  | <b>11,147</b>     | <b>20,009</b> | <b>15,440</b>        | <b>2,533</b>           | <b>14,525</b>                                            | <b>144,348</b> |
| <i>Asset financing:</i>                |               |              |                                                |                   |               |                      |                        |                                                          |                |
| Owned                                  | 19,708        | 4,000        | 63,125                                         | 9,046             | 22,283        | 6,946                | 2,671                  | 12,065                                                   | 139,844        |
| <b>Net book value at 31 March 2011</b> | <b>19,708</b> | <b>4,000</b> | <b>63,125</b>                                  | <b>9,046</b>      | <b>22,283</b> | <b>6,946</b>         | <b>2,671</b>           | <b>12,065</b>                                            | <b>139,844</b> |

## Part Two: Statement of Accounts 2012/13

### 7. Intangible Non Current Assets

Intangible assets comprise software licences and consultancy charges.

|                            | <i>Purchased software<br/>£'000</i> | <i>Payments on account<br/>&amp; assets under<br/>construction £'000</i> | <i>Total<br/>£'000</i> |
|----------------------------|-------------------------------------|--------------------------------------------------------------------------|------------------------|
| <i>Cost or valuation</i>   |                                     |                                                                          |                        |
| At 1 April 2012            | 46,571                              | 10,470                                                                   | 57,041                 |
| Additions                  | 1,106                               | 3,028                                                                    | 4,134                  |
| Disposals                  | 22                                  | -                                                                        | 22                     |
| Impairments and write-offs | -                                   | -                                                                        | -                      |
| Transfers                  | 172                                 | (172)                                                                    | -                      |
| Transfers from NPIA        | 111                                 | -                                                                        | 111                    |
| <b>at 31 March 2013</b>    | <b>47,982</b>                       | <b>13,326</b>                                                            | <b>61,308</b>          |
| <i>Amortisation</i>        |                                     |                                                                          |                        |
| At 1 April 2012            | 26,342                              | -                                                                        | 26,342                 |
| Charge in year             | 9,419                               | -                                                                        | 9,419                  |
| Disposals                  | -                                   | -                                                                        | -                      |
| Impairments and write-offs | -                                   | -                                                                        | -                      |
| Transfers                  | -                                   | -                                                                        | -                      |
| Transfers from NPIA        | 62                                  | -                                                                        | 62                     |
| <b>at 31 March 2013</b>    | <b>35,823</b>                       | <b>-</b>                                                                 | <b>35,823</b>          |
| <i>Net Book Value</i>      |                                     |                                                                          |                        |
| <b>at 31 March 2013</b>    | <b>12,159</b>                       | <b>13,326</b>                                                            | <b>25,485</b>          |
| <b>At 31 March 2012</b>    | <b>20,229</b>                       | <b>10,470</b>                                                            | <b>30,699</b>          |

|                            | <i>Purchased software<br/>£'000</i> | <i>Payments on account<br/>&amp; assets under<br/>construction £'000</i> | <i>Total £'000</i> |
|----------------------------|-------------------------------------|--------------------------------------------------------------------------|--------------------|
| <i>Cost or valuation</i>   |                                     |                                                                          |                    |
| At 1 April 2011            | 44,582                              | 9,278                                                                    | 53,860             |
| Additions                  | 534                                 | 2,807                                                                    | 3,341              |
| Disposals                  | -                                   | -                                                                        | -                  |
| Impairments and write-offs | (160)                               | -                                                                        | (160)              |
| Transfers                  | 1,615                               | (1,615)                                                                  | -                  |
| <b>at 31 March 2012</b>    | <b>46,571</b>                       | <b>10,470</b>                                                            | <b>57,041</b>      |
| <i>Amortisation</i>        |                                     |                                                                          |                    |
| At 1 April 2011            | 15,941                              | -                                                                        | 15,941             |
| Charge in year             | 10,186                              | -                                                                        | 10,186             |
| Disposals                  | -                                   | -                                                                        | -                  |
| Impairments and write-offs | 215                                 | -                                                                        | 215                |
| Transfers                  | -                                   | -                                                                        | -                  |
| <b>at 31 March 2012</b>    | <b>26,342</b>                       | <b>-</b>                                                                 | <b>26,342</b>      |
| <i>Net Book Value</i>      |                                     |                                                                          |                    |
| <b>at 31 March 2012</b>    | <b>20,229</b>                       | <b>10,470</b>                                                            | <b>30,699</b>      |
| <b>At 31 March 2011</b>    | <b>28,641</b>                       | <b>9,278</b>                                                             | <b>37,919</b>      |

## 8. Financial Instruments

As the cash requirements of SOCA are met through Grant-in-Aid funding provided by the Home Office, financial instruments (IFRS 7) play a more limited role in creating risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with SOCA's expected purchase and usage requirements and SOCA is therefore exposed to little credit, liquidity or market risk. Expenditure incurred in a foreign currency is translated at an approved HM Treasury spot rate. SOCA does operate foreign currency bank accounts that are translated to sterling at 31 March 2013 according to an approved HM Treasury spot rate. SOCA proactively reviews cash and bank balances to ensure minimum balances are held in both foreign currencies and sterling until required. SOCA does not use forwards or any other such instruments.

## 9. Trade receivables and other current assets

|                                                        | 2012/13       | 2011/12           | 2010/11           |
|--------------------------------------------------------|---------------|-------------------|-------------------|
|                                                        | £'000         | Restated<br>£'000 | Restated<br>£'000 |
| <i>(a) Amounts falling due within one year</i>         |               |                   |                   |
| Trade receivables*                                     | 4,603         | 15,243            | 11,650            |
| Accrued income                                         | 7,541         | 13,923            | 15,715            |
| Other receivables                                      | 6,434         | 2,977             | 5,617             |
| Transfer from NPIA                                     | 240           | -                 | -                 |
| Prepayments                                            | 8,980         | 8,879             | 9,141             |
|                                                        | <b>27,798</b> | <b>41,022</b>     | <b>42,123</b>     |
| <i>(b) Intra-government balances</i>                   |               |                   |                   |
| Balances with central government bodies                | 16,615        | 30,403            | 28,565            |
| Balances with local authorities and police authorities | 407           | 935               | 1,022             |
| <b>Subtotal: intra-government balances</b>             | <b>17,022</b> | <b>31,338</b>     | <b>29,587</b>     |
| Balances with bodies external to government            | 10,776        | 9,684             | 12,536            |
|                                                        | <b>27,798</b> | <b>41,022</b>     | <b>42,123</b>     |
| <i>(c) Amounts falling due after one year</i>          |               |                   |                   |
| Other receivables                                      | 11            | 45                | 97                |
|                                                        | <b>11</b>     | <b>45</b>         | <b>97</b>         |
| <i>(d) Intra-government balances</i>                   |               |                   |                   |
| Balances with bodies external to government            | 11            | 45                | 97                |
|                                                        | <b>11</b>     | <b>45</b>         | <b>97</b>         |

\*The Bad Debt Provision is reported in Note 12 Provision for Liabilities and Charges and assesses Trade Receivables for the potential risk of the debt not being recovered. The provision for 2012/13 is £0.14m (2011/12: £0.16m).



## Part Two: Statement of Accounts 2012/13

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### 10. Cash and cash equivalents

|                                                  | <i>2012/13</i> | <i>2011/12</i> |
|--------------------------------------------------|----------------|----------------|
|                                                  | <i>£'000</i>   | <i>£'000</i>   |
| Balance at 1 April                               | 49,014         | 32,285         |
| Net change in cash and cash equivalents balances | (39,409)       | 16,729         |
| <b>Balance at 31 March</b>                       | <b>9,605</b>   | <b>49,014</b>  |
| The following balances at 31 March were held at: |                |                |
| Commercial banks and cash in hand                | 9,003          | 48,411         |
| Balance held with Government Banking Service     | 602            | 603            |
| <b>Balance at 31 March</b>                       | <b>9,605</b>   | <b>49,014</b>  |

SOCA operates a number of bank accounts and cash Imprest accounts. The UK accounts operate under a pooling arrangement which allows some accounts to be overdrawn, as long as the main SOCA account is in credit to cover the overdrawn balances. At the 31 March 2013, the cash and balances totalled £9.6m (2011/12: £49.0m).

Interest of £0.15m was received during the year on bank balances (2011/12: £0.104m). Any interest received must be paid to the Home Office. SOCA does not recognise interest earned as part of its income as it is due to the Home Office.

SOCA is proactively reducing its cash balances in accordance with HM Treasury direction that cash is not drawn down in advance of need.

The 2011/12 closing cash balance of £49m included £4.581m for the Airwave Reserve that was repaid to the Home Office during 2012/13 and £15.2m for ARIS funding carried forward from prior years for which SOCA had no DEL cover. The total £15.2m cash was utilised in 2012/13 to meet cash requirements before additional Grant-in-Aid was drawn down.

## Part Two: Statement of Accounts 2012/13

### 11. Trade payables and other current liabilities

|                                                               | 2012/13       | 2011/12       | 2010/11       |
|---------------------------------------------------------------|---------------|---------------|---------------|
|                                                               | £'000         | £'000         | £'000         |
| <i>(a) Amounts falling due within one year</i>                |               |               |               |
| Other Tax and Social Security                                 | 398           | 443           | -             |
| Trade Payables                                                | 2,404         | 4,497         | 4,825         |
| Other Payables*                                               | 3,191         | 9,468         | 3,629         |
| Accruals                                                      | 62,759        | 35,944        | 37,310        |
| Deferred income                                               | 619           | 1,260         | 405           |
|                                                               | <b>69,371</b> | <b>51,612</b> | <b>46,169</b> |
| <i>(b) Intra-government balances</i>                          |               |               |               |
| Balances with central government bodies                       | 9,070         | 6,616         | 6,119         |
| Balances with local authorities and police authorities        | 1,211         | 587           | 103           |
| <b>Subtotal: intra-government balances</b>                    | <b>10,281</b> | <b>7,203</b>  | <b>6,222</b>  |
| Balances with bodies external to government                   | 58,471        | 43,149        | 39,542        |
| <b>Balances excluding deferred income</b>                     | <b>68,752</b> | <b>50,352</b> | <b>45,764</b> |
| Deferred income balances with central government bodies       | 47            | -             | -             |
| Deferred income with local authorities and police authorities | 11            | -             | -             |
| Deferred income balances with bodies external to government   | 561           | 1,260         | 405           |
|                                                               | <b>69,371</b> | <b>51,612</b> | <b>46,169</b> |
| <i>(c) Amounts falling due more than one year</i>             |               |               |               |
| Other payables                                                | 3,553         | 3,871         | 3,174         |
|                                                               | <b>3,553</b>  | <b>3,871</b>  | <b>3,174</b>  |
| <i>(d) Intra-government balances</i>                          |               |               |               |
| Balances with bodies external to government                   | 3,553         | 3,871         | 3,174         |
|                                                               | <b>3,553</b>  | <b>3,871</b>  | <b>3,174</b>  |

\*The rent discount is £3.87m (2011/12: £4.24m). SOCA has rent discounts, which were approved as incentives for taking out leases, running on 7 properties (2011/12: 9 properties). The discounts will be apportioned equally over the term of the lease. Other Payables in 2011/12 included £4.581m owed to the Home Office for the Airwave Reserve.



## Part Two: Statement of Accounts 2012/13

### 12. Provisions for Liabilities and Charges

|                                       | <i>Legal Provision</i> | <i>Retirement Provision</i> | <i>Dilapidation Provision</i> | <i>Bad Debt Provision</i> | <i>Onerous Lease Provision</i> | <i>Total Provision</i> |
|---------------------------------------|------------------------|-----------------------------|-------------------------------|---------------------------|--------------------------------|------------------------|
|                                       | <i>£'000</i>           | <i>£'000</i>                | <i>£'000</i>                  | <i>£'000</i>              | <i>£'000</i>                   | <i>£'000</i>           |
| <b>Balance at 1 April 2012</b>        | <b>(2,040)</b>         | <b>(5,140)</b>              | <b>(39)</b>                   | <b>(162)</b>              | <b>(4,466)</b>                 | <b>(11,847)</b>        |
| Provided in year                      | (4,786)                | (230)                       | (191)                         | (2)                       | (1,101)                        | (6,310)                |
| Provisions not required written back# | -                      | -                           | 39                            | -                         | -                              | 39                     |
| Provisions utilised in the year ##    | 377                    | 1,123                       | -                             | 24                        | 614                            | 2,138                  |
| <b>Balance at 31 March 2013</b>       | <b>(6,449)</b>         | <b>(4,247)</b>              | <b>(191)</b>                  | <b>(140)</b>              | <b>(4,953)</b>                 | <b>(15,980)</b>        |

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

# "Provisions not required written back' is a credit to Annually Managed Expenditure (AME). This occurs when the provision is reviewed and confirmed to be over stated.

## 'Provisions utilised in the year' are a charge to DEL and reflect expenditure incurred that off-set in part or in total the original provision.

The Legal provision of £6.449m relates to provision for claims and costs relating to potential Civil Recovery cases, and cases in progress to cover estimates on litigation costs for employees undertaking action because of injury, loss of employment, changes in conditions of service and operational activity. The provision allows for both costs and compensation payments. A new provision has been added to reflect a claim for compensation to the value of US\$5m (£3.3m). The provision is anticipated to crystallise as follows:

- ▶ Within one year £0.2m
- ▶ 2-5 years £6.249m

The Retirement provision of £4.247m has been created to provide for expected future pension obligations in accordance with the HM Treasury approved exit scheme SOCA adopted in October 2010. The valuation, as advised by HM Treasury, includes a discount factor of 2.35% (2011/12: 2.8%) that is applied to future years' cash flows. The provision is anticipated to crystallise as follows:

- ▶ Within one year £0.916m
- ▶ 2-5 years £2.256m
- ▶ Over 5 years £1.075m

## Part Two: Statement of Accounts 2012/13

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

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

The Onerous lease provision was created in 2011/12 in accordance with IAS37. The provision is for four offices vacated at 31 March 2012 for which there is a lease obligation beyond 31 March 2013. The provision takes into account known future lease breaks and lease end dates. SOCA is actively endeavouring to dispose of these properties in line with the SOCA Board's Estates Strategy. As properties are disposed, the provision is anticipated to crystallise, as follows:

- ▶ Within one year £0.559m
- ▶ 2-5 years £2.418m
- ▶ Over 5 years £1.976m

### 13. Capital Commitments

Contracted capital commitments for 31 March for which no provision has been made

|                                                   | <i>2012/13</i> | <i>2011/12</i> |
|---------------------------------------------------|----------------|----------------|
|                                                   | <i>£'000</i>   | <i>£'000</i>   |
| Not later than one year                           | 4,838          | 9,948          |
| Later than one year and not later than five years | 4,232          | 4,497          |
| Later than five years                             | 426            | 571            |
| <b>Total</b>                                      | <b>9,496</b>   | <b>15,016</b>  |

Commitments include contractual obligations for the provision of information technology and communications services and the acquisition of motor vehicles.



## Part Two: Statement of Accounts 2012/13

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### 14. Commitments under leases

Annual commitment for operating leases

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

|                                                     | 2012/13        | 2011/12        |
|-----------------------------------------------------|----------------|----------------|
|                                                     | £'000          | £'000          |
| <i>Obligations under operating leases comprise:</i> |                |                |
| <i>Buildings:</i>                                   |                |                |
| Not later than one year                             | 19,727         | 19,367         |
| Later than one year and not later than five years   | 65,083         | 70,446         |
| Later than five years                               | 120,736        | 129,226        |
| <b>Total</b>                                        | <b>205,546</b> | <b>219,039</b> |

### 15. Other Financial Commitments

Other commitments include contracts for the provision of information technology, communication services and facilities management. Payments made under the contracts in 2012/13 were £48.9m (2011/12: £31.2m). SOCA approved a new five year Air Support contract to start in April 2012.

|                                                   | 2012/13        | 2011/12        |
|---------------------------------------------------|----------------|----------------|
|                                                   | £'000          | £'000          |
| <i>Other financial commitments</i>                |                |                |
| Not later than one year                           | 26,700         | 26,021         |
| Later than one year and not later than five years | 81,538         | 65,077         |
| Later than 5 years                                | 38,151         | 51,870         |
|                                                   | <b>146,389</b> | <b>142,968</b> |

### 16. Notes on Reserves

#### 16 a) Net Expenditure Reserve

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

#### 16 b) Other Reserves

##### Forfeiture Fund Reserve

The Forfeiture Fund included cash from the sale of assets seized from convicted criminals and forfeited to SOCA by the courts in previous years. The funds could only be applied for specific purposes as directed by the courts. All funds held at 31 March 2012 have been utilised in 2012/13. No funds remain at 31 March 2013.

## Part Two: Statement of Accounts 2012/13

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### Airwave Reserve

The Airwave Reserve was created using funds provided to the National Crime Squad prior to the creation of SOCA. The fund was created in order to finance the replacement and maintenance of police radios to meet a change in wavelengths and to upgrade communications technology. This is part of the National Airwave Project. In 2011/12, it was recognised that the reserve was no longer required. The balance of £4.58m was transferred to Other Payables at 31 March 2012 and the money was returned to the Home Office in 2012/13.

### 16 c) Pensions Reserve

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

### 16 d) Revaluation Reserve

SOCA's assets are revalued on an annual basis. Any revaluations other than impairments are credited to the Revaluation Reserve. Prior year depreciation adjustments, other than for impairments, are debited to the reserve. Freehold properties were valued professionally by Knight Frank Chartered Surveyors in February 2013.

## 17. Contingent Liabilities

### 17 a) Lease Dilapidations

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

The costs to SOCA on vacation of leased premises have been estimated as £5.0m (2011/12: £5.0m). This estimate is based on a charge per square foot of leased space and allows for the reversal of any changes to the building made by SOCA and the costs of redecoration. This potential liability is currently estimated to fall due as follows:

|                                                   | <i>2012/13</i> | <i>2011/12</i>  |
|---------------------------------------------------|----------------|-----------------|
|                                                   | <i>£'000</i>   | <i>Restated</i> |
|                                                   | <i>£'000</i>   | <i>£'000</i>    |
| <i>Year ended 31 March:</i>                       |                |                 |
| Not later than one year                           | -              | -               |
| Later than one year and not later than five years | 2,401          | 2,232           |
| Later than 5 years                                | 2,618          | 2,796           |
|                                                   | <b>5,019</b>   | <b>5,028</b>    |

## Part Two: Statement of Accounts 2012/13

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### 17 b) Litigation Costs

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

### 17 c) Indemnities

A new Departmental Minute was laid before Parliament in October 2011 which enables SOCA to indemnify bodies against losses when using their facilities for firearms training purposes, to a maximum value at any one time of £50m. SOCA has entered into 49 agreements with suppliers during the past year (2011/12: 36), with a maximum value at any one time of £12m (2011/12: £15m). At 31 March 2013, SOCA has in place indemnities with firearms training establishments which add up to £55m (2011/12: £10m) for the period April 2013 to March 2014. Controls are in place to ensure these do not exceed the £50m limit at any specific date. No individual indemnity exceeds £5m in value. The maximum indemnity in place at any one time is £10m in early July 2013.

Under the obligations to enter into indemnities for operational need, SOCA has the authority to enter into indemnities of up to £0.25m with effect from October 2011 (2011/12: £0.25m) in any particular case. SOCA entered into nil (2011/12: one) indemnities during the year (2011/12: £1m).

No new PF78 (solicitor's undertaking as to expenses) were established in 2012/13 (2011/12: one for £0.025m).

The following indemnities remain current from the previous years:

- ▶ 5 indemnities (2011/12: 5) with banks relating to the recovery of criminal assets with an estimated value of £0.629m (2011/12: £0.609m). The increased value relates to euro/sterling exchange rate movements.
- ▶ 5 indemnities (2011/12: 5) with clearing banks with a maximum aggregated value of £0.616m (2011/12: £0.756m).
- ▶ 4 operational indemnities (2011/12: 4) with a combined estimated value of £1m (2011/12: £1m).
- ▶ 5 (2011/12: 4) PF78 solicitor's undertaking as to expenses with potential liability of less than £0.125m (2011/12: £0.1m).

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

## Part Two: Statement of Accounts 2012/13

### 18. Related Party Transactions

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

|                                      | 2012/13<br>Closing Balance<br>£'000 | 2011/12<br>Closing Balance<br>£'000 | 2012/13<br>Net spend (income)<br>£'000 | 2011/12<br>Net spend (income)<br>£'000 |
|--------------------------------------|-------------------------------------|-------------------------------------|----------------------------------------|----------------------------------------|
| Home Office                          | 14,446                              | 5,277                               | (331,625)                              | (422,739)                              |
| Scottish Executive                   | -                                   | 11,262                              | (5,543)                                | (6,336)                                |
| Northern Ireland Administration      | -                                   | 1,502                               | (1,479)                                | (1,495)                                |
| National Policing Improvement Agency | (156)                               | 4,473                               | (916)                                  | (2,955)                                |
| Foreign & Commonwealth Office        | (2,625)                             | (516)                               | 18,552                                 | 11,304                                 |
| Police Forces                        | 237                                 | (319)                               | 3,491                                  | 1,361                                  |
| Local Government                     | (1,016)                             | 8                                   | 3,192                                  | 3,082                                  |
| HMRC                                 | (3,670)                             | (448)                               | 423                                    | 237                                    |
| HMIC                                 | -                                   | (375)                               | 491                                    | 0                                      |
| Government Estates Management        | (965)                               | (150)                               | 696                                    | 715                                    |
| Other (not analysed)                 | (315)                               | 486                                 |                                        |                                        |
|                                      | <b>5,936</b>                        | <b>21,200</b>                       |                                        |                                        |

During the year ended 31 March 2013, these bodies provided SOCA with Grant-in-Aid and, in certain cases, other funding. In addition SOCA has a small number of transactions with other government departments and other central government bodies.

Related Party Transactions took place in 2012/13 and 2011/12 relating to Peter Clarke, Non-Executive Director, who is also a Board member for the Trustees at Crimestoppers.

Crimestoppers is a registered charity which has received monies from the SOCA Community Fund in 2012/13 and 2011/12. The distribution of the Community Fund is decided by a SOCA Board of Trustees. Peter Clarke is not a member of this Board. Additionally SOCA paid Crimestoppers £50k (2011/12: £50k) as a donation to support its activities. Peter Clarke was not part of the decision making process.

### 19. Third Party Assets

Seized property is that which is appropriated by SOCA and other law enforcement bodies but which may still be liable to be returned. Seized property held by SOCA at 31 March 2013 consisted of £11.2m (2011/12: £10.2m) in cash, motor vehicles and other valuables suspected of being derived from criminal activity.

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



## Part Two: Statement of Accounts 2012/13

### 20. Losses and Special Payments

SOCA incurred losses (accelerated depreciation on non-current assets) during the year totalling £0.01m (2011/12: £3.7m) in respect of assets written down. In addition £0.346m was paid in 7 compensation payments during the year (2011/12: £0.04m for 11 payments). There were no constructive losses in 2012/13 or 2011/12.

### 21. Recovered Assets

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

|                                                              | 2012/13 | 2012/13      | 2011/12 | 2011/12      |
|--------------------------------------------------------------|---------|--------------|---------|--------------|
|                                                              | £'000   | £'000        | £'000   | £'000        |
| <b>Recovered assets receipts during:</b>                     |         |              |         |              |
| Civil                                                        | 1,863   |              | 3,901   |              |
| Criminal                                                     | 1,029   |              | 3,236   |              |
| Tax                                                          | 1,333   |              | 1,178   |              |
|                                                              |         | <b>4,225</b> |         | <b>8,315</b> |
| Asset recoveries applied against receivers' fees (see below) |         | (217)        |         | (280)        |
| <b>Net recovered receipts</b>                                |         | <b>4,008</b> |         | <b>8,035</b> |
| Receipts paid to the Home Office during:                     |         | (2,177)      |         | (5,327)      |
| <b>Recovered asset proceeds held at 31 March</b>             |         | <b>1,831</b> |         | <b>2,708</b> |

SOCA pays to the Home Office, quarterly in arrears, recovered asset receipts net of estimated receivership and enforcement costs. A final payment for £1.831m from the monies held in the separately-identified third party bank accounts will be paid to the Home Office by 30 June 2013 (£2.708m was paid in June 2012).

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

The criminal receipts figure quoted above includes those related to SOCA's ongoing responsibility to enforce payment against criminal confiscation orders obtained in previous years by the Asset Recovery Agency. This income is not counted as part of SOCA's performance and is by its nature a small and diminishing amount. Existing confiscation orders obtained by SOCA and new confiscation orders obtained since the merger continue to be enforced by the courts. This figure has no relationship to the value of new confiscation orders obtained by SOCA during 2012/13; nor to the value of receipts banked by the courts in fulfillment of confiscation orders obtained by SOCA in 2012/13 and previous years.

### 22. Recovered Assets Allowable Against Receivers' Fees

Section 280, Subsection 3 of the amended Proceeds of Crime Act 2002 (POCA) enables the Director General to meet the costs of an appointed Interim Receiver from sums received from Civil Recovery proceedings in a way which directly mirrors the provisions in criminal confiscation cases in Parts 2 and 4 of POCA. Receivers' fees totalling £0.217m were incurred on civil recovery during 2012/13 (2011/12: £0.28m). The commencement date of the provision was 1 July 2005 and, thereafter, the costs of Interim Receivers and Trustees were permitted to be offset against eventual case proceeds.

## Part Two: Statement of Accounts 2012/13

|                                         | 2012/13  | 2011/12  |
|-----------------------------------------|----------|----------|
|                                         | £'000    | £'000    |
| Total receivers' fees in year           | 217      | 280      |
| Assets in enforcement applied as income | (217)    | (280)    |
| <b>Net receivers' fees in year</b>      | <b>0</b> | <b>0</b> |

### 23. Forfeiture and confiscation orders

Receipts paid to the Home Office during the year in fulfillment of cash forfeiture orders obtained in 2012/13 and previous years are set out below. It should be noted that the time-lag created by the 30 day appeal period which follows all cash forfeiture orders and the normal business delays in processing forfeited cash through to the Home Office means that the amount paid to the Home Office in any given financial year will not correspond precisely to the stated value of new cash forfeiture orders obtained over the same period.

|                                              | 2012/13 | 2011/12 |
|----------------------------------------------|---------|---------|
|                                              | £'000   | £'000   |
| Forfeiture and confiscation monies paid over | 3,826   | 5,039   |

### 24. Financial position of transferred business

On 1 April 2012, five functions from the former National Policing Improvement Agency (NPIA) merged with SOCA. This increased SOCA staff by 160.

The Statement of Financial Position below provides disclosure of the transferred business from the NPIA.

|                                                        | <i>Transfer from NPIA</i> |
|--------------------------------------------------------|---------------------------|
|                                                        | 2012/13                   |
|                                                        | £'000                     |
| <b>Non-current assets</b>                              |                           |
| Property, plant & equipment                            | 47                        |
| Intangible assets                                      | 49                        |
| <b>Total non-current assets</b>                        | <b>96</b>                 |
| <b>Current assets</b>                                  |                           |
| Trade and other receivables                            | 145                       |
| <b>Total current assets</b>                            | <b>145</b>                |
| <b>Total assets</b>                                    | <b>241</b>                |
| <b>Current liabilities</b>                             |                           |
| Trade and other payables                               | (539)                     |
| <b>Total current liabilities</b>                       | <b>(539)</b>              |
| <b>Non-current assets less net current liabilities</b> | <b>(298)</b>              |
| <b>Assets less liabilities</b>                         | <b>(298)</b>              |
| <b>Reserves</b>                                        |                           |
| General Reserve *                                      | (298)                     |
| <b>Total</b>                                           | <b>(298)</b>              |



## Part Two: Statement of Accounts 2012/13

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In accordance with IFRS3 a restatement of prior years is not required as both SOCA and the NPIA fall under the Common Control of the Home Office. SOCA and the NPIA have agreed the business of the Proceeds of Crime Centre (PoCC) will be reported under the NPIA not SOCA in the financial year 2012/13 Annual Report and Accounts. PoCC is excluded from the five functions transferred during 2012/13.

\* The total net liability of £298k is disclosed separately on the Statement of Comprehensive Net Expenditure and forms part of the total recognised Income and Expenditure reserve for 2012/13.

### 25. Proceeds of Crime Centre

The Proceeds of Crime Centre for legislative reasons cannot transfer to SOCA however it will be a constituent of the NCA. From November 2012, the staff employed in the department and associated costs were included in SOCA's management accounts. As a result of the legal requirement for the PoCC department to be included in the accounts of the NPIA, SOCA has excluded the costs of this department from these accounts.

The accounts for the department are as follows:-

|                                               | 2012/13<br>£'000 |
|-----------------------------------------------|------------------|
| <b>Income</b>                                 | <b>394</b>       |
| <b>Expenditure</b>                            |                  |
| Staff costs                                   | (414)            |
| Operating costs                               | <u>(183)</u>     |
|                                               | <b>(597)</b>     |
| <b>Net expenditure for the financial year</b> | <b>(203)</b>     |

### 26. SOCA resources deployed on NCA activity

During 2012/13, SOCA allocated 31.6 full time equivalent staff to work on NCA transition activities, at an estimated cost of £2.04m. These staff include those attached to the NCA Programme, project management embedded within the NCA Programme Team, SOCA staff spending all or the majority of their time on NCA start up activity and those supporting appointed NCA Executive Directors. These staff worked on a number of key business areas such as Human Resources, Finance, ICT and Estates. Within operational areas, both pilot activity and proof of concept work was undertaken for new capabilities.

## **27. Reconciliation of restatements affecting the Statement of Comprehensive Net Expenditure**

### **Explanation of restatements**

The restatement of 2011/12 and 2010/11 accounts relates to the accounting treatment of income received by SOCA from the Assets Recovered Incentivisation Scheme (ARIS).

ARIS money is generated by SOCA in pursuit of its operating activities; it is an incentive payment to enhance the performance of Asset Recovery activities and is effectively performance related income.

ARIS money has to be earned. If no assets were recovered, there would be no ARIS money received by SOCA. SOCA receives, from the Home Office, a percentage of the total proceeds recovered. The percentage of incentivisation is set by the Home Office, currently 50%.

As a result of the change in accounting policy, ARIS income is accounted for as income received using the accruals concept. Under the previously adopted treatment ARIS income was accounted for as grant received on a cash accounting basis. The change in accounting policy, and subsequent restatement of the 2011/12 and 2010/11 accounts ensures SOCA and Home Office accounting treatment for ARIS are consistent. The restatement is in accordance with IAS 18 – Accounting for Revenue.

Police pension costs reported in the Statement of Comprehensive Net Expenditure include the current service cost net of employee contributions and interest on pension liabilities. Contributions towards police pension costs received from the Home Office are treated as additional funding to Grant-in-Aid.

The Revaluation Reserve has been adjusted to reflect the unrealised element of the cumulative balance of indexation and revaluation adjustments to assets. Each year the realised element of the reserve should be transferred from the reserve to the general fund. The restatement reflects this correction.



## Part Two: Statement of Accounts 2012/13

|                                                                      | 2010/11<br>Original<br>£'000 | 2010/11<br>Adjustment<br>£'000 | 2010/11<br>Restated<br>£'000 |
|----------------------------------------------------------------------|------------------------------|--------------------------------|------------------------------|
| <b>Expenditure</b>                                                   |                              |                                |                              |
| Staff costs                                                          | (246,201)                    | 6,488                          | (239,713)                    |
| Pension costs actuarial valuation                                    | 49,790                       | (15,008)                       | 34,782                       |
| Transfer from Government Grant Reserve                               | 0                            | 0                              | 0                            |
| Depreciation and Amortisation                                        | (39,873)                     | 0                              | (39,873)                     |
| Operating Costs                                                      | (167,479)                    | 0                              | (167,479)                    |
| Impairments, losses on asset revaluation, adjustments and write offs | (1,830)                      | 0                              | (1,830)                      |
|                                                                      | <b>(405,593)</b>             | <b>(8,520)</b>                 | <b>(414,113)</b>             |
| <b>Income</b>                                                        |                              |                                |                              |
| Funding received separate from Grant-in-Aid                          | 27,687                       | 6,498                          | 34,185                       |
| Rents and service charges                                            | 56                           | 0                              | 56                           |
| Donations of goods and services                                      | 1,702                        | 0                              | 1,702                        |
| Other operating income                                               | 2,457                        | 0                              | 2,457                        |
| Recovery of costs                                                    | 939                          | 0                              | 939                          |
| <b>Total operating income</b>                                        | <b>32,841</b>                | <b>6,498</b>                   | <b>39,339</b>                |
| <b>Net Expenditure before interest and tax</b>                       | <b>(372,752)</b>             | <b>(2,022)</b>                 | <b>(374,774)</b>             |
| Tax                                                                  | 1,037                        | 0                              | 1,037                        |
| Interest                                                             | 0                            | 0                              | 0                            |
| <b>Net expenditure after interest and tax</b>                        | <b>(371,715)</b>             | <b>(2,022)</b>                 | <b>(373,737)</b>             |
| Surplus/(loss) on disposal of non-current assets                     | (352)                        | 0                              | (352)                        |
| <b>Net expenditure for the financial year</b>                        | <b>(372,067)</b>             | <b>(2,022)</b>                 | <b>(374,089)</b>             |
| <b>Other Comprehensive Expenditure</b>                               |                              |                                |                              |
| Net gain/(loss) on revaluation of Property Plant and Equipment       | (1,437)                      | 0                              | (1,437)                      |
| Net gain/(loss) on revaluation of Intangibles                        | 0                            | 0                              | 0                            |
| Actuarial gain/(loss) on pension reserve                             | 66,198                       | 0                              | 66,198                       |
| <b>Total Comprehensive Expenditure for the year ended 31 March</b>   | <b>(307,306)</b>             | <b>(2,022)</b>                 | <b>(309,328)</b>             |

## Part Two: Statement of Accounts 2012/13

|                                                                      | 2011/12<br>Original<br>£'000 | 2011/12<br>Adjustment<br>£'000 | 2011/12<br>Restatement<br>£'000 |
|----------------------------------------------------------------------|------------------------------|--------------------------------|---------------------------------|
| <b>Expenditure</b>                                                   |                              |                                |                                 |
| Staff costs                                                          | (223,530)                    | 5,516                          | (218,014)                       |
| Pension costs actuarial valuation                                    | (20,168)                     | (15,806)                       | (35,974)                        |
| Transfer from Government Grant Reserve                               | 0                            | 0                              | 0                               |
| Depreciation and Amortisation                                        | (48,448)                     | 0                              | (48,448)                        |
| Operating Costs                                                      | (173,445)                    | 0                              | (173,445)                       |
| Impairments, losses on asset revaluation, adjustments and write offs | 256                          | 0                              | 256                             |
|                                                                      | <b>(465,335)</b>             | <b>(10,290)</b>                | <b>(475,625)</b>                |
| <b>Income</b>                                                        |                              |                                |                                 |
| Funding received separate from Grant-in-Aid                          | 24,301                       | 7,017                          | 31,318                          |
| Rents and service charges                                            | 194                          | 0                              | 194                             |
| Donations of goods and services                                      | 1,295                        | 0                              | 1,295                           |
| Other operating income                                               | 842                          | 0                              | 842                             |
| Recovery of costs                                                    | 209                          | 0                              | 209                             |
| <b>Total operating income</b>                                        | <b>26,841</b>                | <b>7,017</b>                   | <b>33,858</b>                   |
| <b>Net Expenditure before interest and tax</b>                       | <b>(438,494)</b>             | <b>(3,273)</b>                 | <b>(441,767)</b>                |
| Tax                                                                  | (24)                         | 0                              | (24)                            |
| <b>Net expenditure after interest and tax</b>                        | <b>(438,518)</b>             | <b>(3,273)</b>                 | <b>(441,791)</b>                |
| Surplus/(loss) on disposal of non-current assets                     | 8                            | 0                              | 8                               |
| <b>Net expenditure for the financial year</b>                        | <b>(438,510)</b>             | <b>(3,273)</b>                 | <b>(441,783)</b>                |
| <b>Other Comprehensive Expenditure</b>                               |                              |                                |                                 |
| Net gain/(loss) on revaluation of Property Plant and Equipment       | 3,445                        | 0                              | 3,445                           |
| Actuarial gain/(loss) on pension reserve                             | 7,182                        | 0                              | 7,182                           |
| <b>Total Comprehensive Expenditure for the year ended 31 March</b>   | <b>(427,883)</b>             | <b>(3,273)</b>                 | <b>(431,156)</b>                |



## Part Two: Statement of Accounts 2012/13

### Reconciliation of restatements affecting the Statement of Financial Position

|                                                   | 2010/11<br>Original<br>£'000 | 2010/11<br>Adjustment<br>£'000 | 2010/11<br>Restatement<br>£'000 |
|---------------------------------------------------|------------------------------|--------------------------------|---------------------------------|
| <b>Non-Current Assets</b>                         |                              |                                |                                 |
| Property, Plant & Equipment                       | 144,348                      | 0                              | 144,348                         |
| Intangible non-current assets                     | 37,919                       | 0                              | 37,919                          |
|                                                   | <b>182,267</b>               | <b>0</b>                       | <b>182,267</b>                  |
| <b>Other Non-Current Assets</b>                   |                              |                                |                                 |
| Receivables falling due after one year            | 97                           | 0                              | 97                              |
| <b>Total Non-Current Assets</b>                   | <b>182,364</b>               | <b>0</b>                       | <b>182,364</b>                  |
| <b>Current Assets</b>                             |                              |                                |                                 |
| Trade and other receivables                       | 37,479                       | 4,644                          | 42,123                          |
| Cash and cash equivalents                         | 32,285                       | 0                              | 32,285                          |
| <b>Total Current Assets</b>                       | <b>69,764</b>                | <b>4,644</b>                   | <b>74,408</b>                   |
| <b>Total Assets</b>                               | <b>252,128</b>               | <b>4,644</b>                   | <b>256,772</b>                  |
| <b>Current Liabilities</b>                        |                              |                                |                                 |
| Trade and Other Payables                          | (45,764)                     | 0                              | (45,764)                        |
| Deferred Income                                   | (405)                        | 0                              | (405)                           |
| <b>Total Current Liabilities</b>                  | <b>(46,169)</b>              | <b>0</b>                       | <b>(46,169)</b>                 |
| <b>Non-Current Assets plus Net Current Assets</b> | <b>205,959</b>               | <b>4,644</b>                   | <b>210,603</b>                  |
| <b>Non-Current Liabilities</b>                    |                              |                                |                                 |
| IAS Pension Liability                             | (493,660)                    | 0                              | (493,660)                       |
| Provisions                                        | (9,074)                      | 0                              | (9,074)                         |
| Other Payables                                    | (3,174)                      | 0                              | (3,174)                         |
| <b>Total Non-Current Liabilities</b>              | <b>(505,908)</b>             | <b>0</b>                       | <b>(505,908)</b>                |
| <b>Assets less Liabilities</b>                    | <b>(299,949)</b>             | <b>4,644</b>                   | <b>(295,305)</b>                |
| <b>Taxpayers Equity</b>                           |                              |                                |                                 |
| Donated Asset Reserve                             | 0                            | 0                              | 0                               |
| Government Grant Reserve                          | 0                            | 0                              | 0                               |
| Net Expenditure Reserve                           | 82,204                       | 9,418                          | 91,622                          |
| Other Reserves                                    | 4,731                        | 0                              | 4,731                           |
| Pension Reserve                                   | (392,834)                    | 0                              | (392,834)                       |
| Revaluation Reserve                               | 5,950                        | (4,774)                        | 1,176                           |
|                                                   | <b>(299,949)</b>             | <b>4,644</b>                   | <b>(295,305)</b>                |

## Part Two: Statement of Accounts 2012/13

|                                                   | 2011/12<br>Original<br>£'000 | 2011/12<br>Adjustment<br>£'000 | 2011/12<br>Restatement<br>£'000 |
|---------------------------------------------------|------------------------------|--------------------------------|---------------------------------|
| <b>Non-Current Assets</b>                         |                              |                                |                                 |
| Property, Plant & Equipment                       | 139,844                      | 0                              | 139,844                         |
| Intangible non-current assets                     | 30,699                       | 0                              | 30,699                          |
|                                                   | <b>170,543</b>               | <b>0</b>                       | <b>170,543</b>                  |
| <b>Other Non-Current Assets</b>                   |                              |                                |                                 |
| Receivables falling due after one year            | 45                           | 0                              | 45                              |
| <b>Total Non-Current Assets</b>                   | <b>170,588</b>               | <b>0</b>                       | <b>170,588</b>                  |
| <b>Current Assets</b>                             |                              |                                |                                 |
| Trade and other receivables                       | 38,087                       | 2,935                          | 41,022                          |
| Cash and cash equivalents                         | 49,014                       | 0                              | 49,014                          |
| <b>Total Current Assets</b>                       | <b>87,101</b>                | <b>2,935</b>                   | <b>90,036</b>                   |
| <b>Total Assets</b>                               | <b>257,689</b>               | <b>2,935</b>                   | <b>260,624</b>                  |
| <b>Current Liabilities</b>                        |                              |                                |                                 |
| Trade and Other Payables                          | (50,352)                     | 0                              | (50,352)                        |
| Deferred Income                                   | (1,260)                      | 0                              | (1,260)                         |
| <b>Total Current Liabilities</b>                  | <b>(51,612)</b>              | <b>0</b>                       | <b>(51,612)</b>                 |
| <b>Non-Current Assets plus Net Current Assets</b> | <b>206,077</b>               | <b>2,935</b>                   | <b>209,012</b>                  |
| <b>Non-Current Liabilities</b>                    |                              |                                |                                 |
| IAS Pension Liability                             | (506,652)                    | 0                              | (506,652)                       |
| Provisions                                        | (11,847)                     | 0                              | (11,847)                        |
| Other Payables                                    | (3,871)                      | 0                              | (3,871)                         |
| <b>Total Non-Current Liabilities</b>              | <b>(522,370)</b>             | <b>0</b>                       | <b>(522,370)</b>                |
| <b>Assets less Liabilities</b>                    | <b>(316,293)</b>             | <b>2,935</b>                   | <b>(313,358)</b>                |
| <b>Taxpayers Equity</b>                           |                              |                                |                                 |
| Donated Asset Reserve                             | 0                            | 0                              | 0                               |
| Government Grant Reserve                          | 0                            | 0                              | 0                               |
| Net Expenditure Reserve                           | 59,814                       | 9,314                          | 69,128                          |
| Other Reserves                                    | 150                          | 0                              | 150                             |
| Pension Reserve                                   | (385,652)                    | 0                              | (385,652)                       |
| Revaluation Reserve                               | 9,395                        | (6,379)                        | 3,016                           |
|                                                   | <b>(316,293)</b>             | <b>2,935</b>                   | <b>(313,358)</b>                |



**Reconciliation of restatements affecting the Statement of Changes in Taxpayers Equity**

|                                     | <i>2011/12</i><br><i>Net Expenditure</i><br><i>Reserve</i><br><i>£'000</i> | <i>2010/11</i><br><i>Net Expenditure</i><br><i>Reserve</i><br><i>£'000</i> |
|-------------------------------------|----------------------------------------------------------------------------|----------------------------------------------------------------------------|
| <b>Original</b>                     | <b>59,814</b>                                                              | <b>82,204</b>                                                              |
| Accounting policy adjustment – ARIS | 2,935                                                                      | 4,644                                                                      |
| Revaluation Reserve                 | 6,379                                                                      | 4,774                                                                      |
| <b>Restated</b>                     | <b>69,128</b>                                                              | <b>91,622</b>                                                              |

**28. Subsequent Events**

It is expected that the Serious Organised Crime Agency will cease to exist in autumn of 2013 and the National Crime Agency (NCA) will then commence. Royal Assent was granted on 25 April 2013 for the legislation enabling the formation of the NCA and the cessation of SOCA.

With effect from 1 April 2013, the Shadow Border Policing Command, Organised Crime Co-Ordination Centre and National Coordinators Office will be baselined into SOCA's delegated budget in readiness for the NCA, funded by Grant-in-Aid.

The Home Office has allocated an annual budget to SOCA for the financial year 2013/14. Funds not utilised at the cessation of SOCA will, subject to Home Office approval, be transferred to the National Crime Agency for the period from NCA inception to 31 March 2014.

Executive Director Bradley Jones left on 8 April 2013 and Executive Director Gerry Liddell will leave before the creation of the National Crime Agency.

The Accounting Officer Trevor Pearce authorised the 2012/13 Annual Accounts to be issued on the date of the Comptroller and Auditor General's audit certificate.

**Appendix**



## Appendix – Criminal Justice Work 2012/13

### Orders achieved by SOCA

| Order                          | 2012/13 | 2011/12 | Total in place <sup>15</sup> |
|--------------------------------|---------|---------|------------------------------|
| Serious Crime Prevention Order | 48      | 40      | 141                          |
| Financial Reporting Order      | 13      | 8       | 104                          |
| Travel Restriction Order       | 8       | 13      | 15                           |
|                                | 2012/13 | 2011/12 | % change                     |

### Work in Progress

|                                             |     |      |        |
|---------------------------------------------|-----|------|--------|
| Operations/projects in progress at 31 March | 953 | 1065 | -10.52 |
|---------------------------------------------|-----|------|--------|

### SOCA Persons of Interest

|                              |                   |     |   |
|------------------------------|-------------------|-----|---|
| Percentage subject to action | 100 <sup>16</sup> | 100 | 0 |
|------------------------------|-------------------|-----|---|

### SOCA casework

|                                |       |                   |        |
|--------------------------------|-------|-------------------|--------|
| UK arrests <sup>17</sup>       | 749   | 844 <sup>18</sup> | -11.26 |
| Cases reaching UK courts       | 397   | 340               | +16.76 |
| UK convictions                 | 365   | 309               | +18.12 |
| International casework arrests | 1,501 | 1,210             | +24.05 |
| Total arrests                  | 2,250 | 2,054             | +9.54  |

### Disruptions<sup>19</sup>

|  |      |     |        |
|--|------|-----|--------|
|  | 1008 | 835 | +20.72 |
|--|------|-----|--------|

### European Arrest Warrants executed<sup>20</sup>

|                    |       |       |        |
|--------------------|-------|-------|--------|
| Wanted from the UK | 1,438 | 1,394 | +3.15  |
| Wanted by the UK   | 133   | 148   | -10.14 |

### SOCA drug interdiction (tonnes)

|          |       |      |                     |
|----------|-------|------|---------------------|
| Cocaine  | 67.8  | 67.8 | +0.04 <sup>21</sup> |
| Heroin   | 5     | 4.8  | +4.43               |
| Opium    | 37.7  | 8.6  | +340.60             |
| Cannabis | 103.5 | 80.9 | +27.98              |

### Cutting agent interdiction (tonnes)

|  |     |     |        |
|--|-----|-----|--------|
|  | 3.1 | 9.1 | -65.93 |
|--|-----|-----|--------|

### Illegal immigrants detained

|  |     |     |        |
|--|-----|-----|--------|
|  | 670 | 397 | +68.77 |
|--|-----|-----|--------|

### SOCA firearms interdictions

|                         |     |     |         |
|-------------------------|-----|-----|---------|
| Firearms (guns) seized  | 459 | 787 | -41.68  |
| Firearms (other) seized | 674 | 76  | +786.84 |

<sup>15</sup> This is the total number of Orders as at 31 March 2013 that were either active or due to become active on release of the individual from prison.

<sup>16</sup> Subject to an operational response at tiers one to four of the Integrated Operating Model.

<sup>17</sup> Included in the arrests totals are Middle Market Drugs Partnership (MMDP) figures for SOCA tasked MMDP activity. However, the MMDP is a partnership with the Metropolitan Police Service and a 50/50 split of the outputs would reflect the SOCA activity in total rather than the current method of only including SOCA tasked activity. This year the MMDP has arrested 125 people but only 38 are reported in the SOCA totals. In addition, there were 134 arrests made by SOCA trainee investigators who provided support to police force operations.

<sup>18</sup> Reported as 884 in error last year.

<sup>19</sup> This figure represents the total number of major, moderate and minor disruptions of an OCG.

<sup>20</sup> EAW arrest data reported last year was incorrect; the data given here is accurate.

<sup>21</sup> Change based on actual figures before they are rounded up or down to one decimal place.

## Appendix – Criminal Justice Work 2012/13

|                                                                                                                            | 2012/13               | 2011/12 | % change |
|----------------------------------------------------------------------------------------------------------------------------|-----------------------|---------|----------|
| <b>Threats to life averted</b>                                                                                             | 18                    | 26      | -30.77   |
| <b>Asset recovery<sup>22</sup></b>                                                                                         | £14.9m                | £18.7m  | -20.46   |
| Additionally, SOCA receipted £1.2 million from the enforcement of Assets Recovery Agency (ARA) legacy confiscation orders. |                       |         |          |
| <b>Counterfeit Currency seized</b>                                                                                         | £23.2m <sup>23</sup>  | £25.8m  | -9.99    |
| <b>Value of assets/commodities denied to criminals and fraud prevented</b>                                                 |                       |         |          |
| Drug interdiction                                                                                                          | £393.7m <sup>24</sup> |         |          |
| Cutting agent interdiction                                                                                                 | £94.5m <sup>25</sup>  |         |          |
| Illegal Immigrants detained upstream                                                                                       | £12.1m <sup>26</sup>  |         |          |
| Counterfeit Currency seized                                                                                                | £23.2m                |         |          |
| Threats to life averted                                                                                                    | £27m <sup>27</sup>    |         |          |
| Assets denied                                                                                                              | £482.6m <sup>28</sup> |         |          |
| Product contamination                                                                                                      | £99m <sup>29</sup>    |         |          |
| Other markets                                                                                                              | £364.2m <sup>30</sup> |         |          |

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

<sup>22</sup> Combined measure consisting of cash forfeited; confiscation orders enforced and civil recovery and tax receipts. Wider asset denial figures are set out in Part 1. [Figures in the accounts differ as they include the deduction of allowable costs.]

<sup>23</sup> Sterling face value of counterfeit currency seized.

<sup>24</sup> Based on 100% of UK drug seizures following SOCA activity plus 10% of overseas interdictions intended for the UK market and for prudence purposes using UK wholesale prices.

<sup>25</sup> Based on drugs being cut at a ratio of 1:1, the value represents the potential profit denied to the criminal economy.

<sup>26</sup> Based on the average cost of removal per person had they arrived in the UK.

<sup>27</sup> Based on the standard cost of a murder enquiry.

<sup>28</sup> Asset denial is a standalone figure for each financial year. Assets that have been restrained, seized, or frozen during one year will be part of a confiscation or a civil recovery order in future years; so the total amount of assets denied should not be read as cumulative year on year.

<sup>29</sup> Estimated cost to companies from product contamination had SOCA not intervened.

<sup>30</sup> Based on the average value of fraud prevented for each compromised card. This figure, which is based in part on sensitive data, represents the potential impact if the fraud had occurred.



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