

Assets Recovery Agency Resource Accounts

HC 661 (Session 2007-2008)

ISBN 9780102956542

Correction slip

The title page of this report should read

Assets Recovery Agency Annual Report and Resource Accounts 2007-08

(For the year ended 31 March 2008)

August 2008

LONDON: THE STATIONERY OFFICE

Assets Recovery Agency

Resource Accounts 2007-08

(For the year ended 31 March 2008)

Assets Recovery Agency

Resource Accounts 2007-08

(For the year ended 31 March 2008)

*Ordered by the House of Commons to be printed
16 July 2008*

© Crown Copyright 2008

The text in this document (excluding the Royal Arms and other departmental or agency logos) may be reproduced free of charge in any format or medium providing it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the document specified.

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

For any other use of this material please write to Office of Public Sector Information, Information Policy Team, Kew, Richmond, Surrey TW9 4DU or e-mail: licensing@opsi.gov.uk

ISBN: 978 0 10 295654 2

Contents

	Page
Annual Report	3
Departmental Aims and Objectives	3
Management Commentary	4
Operational Functions	5
- Civil Recovery	5
- Criminal Confiscation	6
- Taxation	6
The Financial Investigation Centre of Excellence	8
Financing	9
Key Financial Limits	9
Going Concern	10
Accounting Officer of the Agency and Management Board	10
Appointment of Accounting Officer and Management Board	10
Prompt Payment Policy	11
Interest Rate and Currency Risk	11
Fixed Assets	11
Health and Safety	11
Equality and Diversity	11
Employment of Disabled Persons	12
Employee Relations and Development	12
Quality Assurance	12
Freedom of Information	12
Social and Community Issues	12
Environmental issues	13
Auditors	13
Reporting of Personal Data related Incidents	13
International	14
Remuneration Report	15
STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES	19
STATEMENT ON INTERNAL CONTROL	20
The Certificate of the Comptroller and Auditor General to the House of Commons	24
Statement of Parliamentary Supply	26
Operating Cost Statement for the year ended 31 March 2008	27
Balance Sheet as at 31 March 2008	28
Cash Flow Statement for the year ended 31 March 2008	29
Statement of Operating Costs by Departmental Aim and Objectives	30

Notes to the Accounts	31
1. Statement of accounting policies	31
1.1 Accounting convention	31
1.2 Tangible fixed assets	31
1.3 Depreciation	31
1.4 Intangible Assets	32
1.5 Research and development	32
1.6 Operating income	32
1.7 Administration and programme expenditure	32
1.8 Capital charge	32
1.9 Leases	33
1.10 Pensions	33
1.11 Value Added Tax	33
1.12 Confiscated Assets	33
1.13 Contingent Liabilities	34
2. Analysis of net resource outturn by section	34
3. Reconciliation of outturn to net operating cost and against Administration Budget	35
4. Reconciliation of resources to cash requirement	36
5. Analysis of Income Payable to the Consolidated Fund	36
6. Reconciliation of income recorded within the Operating Cost Statement to operating income	37
7. Staff numbers and costs	37
8. Other administration costs	38
9. Other programme costs	39
10. Tangible fixed assets (see also notes 1.2-1.5)	40
11. Intangible fixed assets (see also notes 1.2-1.5)	40
12. Movements in working capital other than cash	41
13. Debtors	41
14. Cash at Bank and in Hand	42
15. Creditors	42
16. Provisions for liabilities and charges	43
17. General Fund	43
18. Reserves	43
19. Notes to the Cash Flow Statement	44
20. Notes to the Statement of Operating Costs by Departmental Aim and Objectives	45
21. Capital commitments	45
22. Commitments under Leases	45
23. Other financial commitments	45
24. Financial instruments	46
25. Contingent liabilities disclosed under FRS 12	46
26. Losses and special payments	47
27. Related Party Transactions	47
28. Recovered Assets	47
29. Recovered Assets Allowable Against Receivers' Fees	48
30. Recovered Assets Incentivisation Fund	48
31. Events After the Balance Sheet Date	48

Annual Report

This report is presented to Parliament pursuant to paragraph 7(3)(a) of Schedule 1 to the Proceeds of Crime Act 2002.

Statutory Background

The Assets Recovery Agency (ARA) was formed in February 2003 as a result of the Proceeds of Crime Act (POCA) 2002.

POCA provided a number of agencies with asset recovery powers, including the police, Her Majesty's Revenue and Customs, prosecutors and other Government departments. The range of POCA powers encompassed cash forfeiture, criminal confiscation, civil recovery and taxation; however, ARA was the only body with civil recovery powers in England, Wales and Northern Ireland, and the only UK body with specific POCA tax recovery powers.

The Serious Crime Act (SCA) 2007 provided for ARA to merge with the Serious Organised Crime Agency (SOCA) and the National Police Improvement Agency (NPIA). These mergers took place on 1st April 2008. ARA's operational functions were merged into SOCA and its training functions merged into the NPIA. The SCA mainstreamed ARA's civil recovery powers by extending them to SOCA, the Revenue and Customs Prosecution Service, the Crown Prosecution Service, the Serious Fraud Office and the Public Prosecution Service in Northern Ireland.

Departmental Aims and Objectives

ARA's purpose was to help cut crime and make communities safer by taking away the proceeds of crime. This was done by:

- working in close partnership with the law enforcement community;
- keeping the public interest central to its work;
- fully using all its unique powers firmly and fairly; and
- promoting professionalism and the highest standards among all those involved in asset recovery;

ARA's vision and values were:

- working together to deliver results and celebrate success;
- always working to high standards of integrity, honesty and professionalism;
- continuously improving the quality of its work, through innovation and managed risk taking;
- supporting learning and skill development to help it do its jobs better; and
- promoting diversity and valuing the contribution of everyone through its work with colleagues and partners.

ARA had three strategic aims:

- to disrupt organised criminal enterprises through the recovery of criminal assets, in order to alleviate the effects of crime on communities;

- to build capacity in financial investigation by promoting its use as an integral part of criminal investigation, within and outside ARA, domestically and internationally, through training and continuing professional development; and
- to operate ARA in accordance with its vision and values.

ARA identified a number of priorities relating to its Key Performance Indicators. These were:

- to adopt and conduct criminal confiscation, civil recovery and taxation investigations under the provisions of POCA 2002;
- to promote and support the use of the powers conferred by POCA through the successful training of financial investigators and to provide such support and expertise to the law enforcement community as may otherwise be required; and
- to ensure continuous development of staff and working practices and move towards best practice standards in all aspects of the Agency.

Management Commentary

Key Performance Indicators

ARA operated in three key operational business areas:

- civil recovery: recovering the proceeds of crime through action in the High Court;
- taxation: taxing the profits of crime; and
- criminal confiscation: supporting law enforcement and other government agencies in tracing and confiscating the benefit of crime after a court conviction.

In each of these areas ARA had challenging business targets designed to measure its performance at each stage of the process. These targets allowed ARA to monitor progress at three points in the life of cases.

- Disruption: where it started to disrupt the activities of an individual or criminal group by persuading a court to freeze their assets.
- Completion: where it obtained a court order or tax tribunal decision making criminal assets over to a trustee or requiring the defendant to pay money to the Agency.
- Enforcement: where it collected the net proceeds of crime.

Agency Wide		2007-08		2006-07	
Activity		KPI	Result	KPI	Result
Disruptions	Volume	60 – 100	86	90 – 125	116
Disruptions	Value	£16.5m – £40m	£40.1m	£49m – £65m	£73.7m
Completions	Volume	40 – 100	102	28 – 75	61
Completions	Value	£12.5m – £35m	£74.4m	£12.5m – £23.5m	£20.3m
Enforcement	Value	£15.5m – £17.5m	£9.2m	£9.5m – £16m	£15.9m
Northern Ireland		2007/08		2006/07	
Activity		KPI	Result	KPI	Result
Disruptions	Volume	15 – 20	26	20 – 25	22
Disruptions	Value	£4m – £9m	£11.4m	£4m – £5m	£14.5m
Completions	Volume	10 – 25	18	None specified	6
Completions	Value	£2.5m – £6.5m	£8.5m	£4.5m – £7.5m	£0.4m

Definitions for these Key Performance Indicators are at Appendix A.

In 2007/8 ARA performed well in getting cases to completion. Unfortunately, the Agency was not able to realise the assets from sufficient completed cases to meet its Enforcement targets. There were several factors which contributed to this, including:

- a number of cases that did not complete until the end of the financial year where there was insufficient time to sell the assets;
- the challenge of liquidating property in a slower market; and
- in a number of Criminal Confiscation cases, the courts gave the defendant substantial time to pay the amounts due and these funds will not be realised until the forthcoming financial year.

However ARA did improve its effectiveness by increasing the number of cases settled at earlier stages of proceedings. This was a targeted approach to respondents which provided for a more cost-effective use of resources. This is evidenced by a reduction in costs incurred on Receivers' fees.

Note, KPI figures for 2006/07 differ slightly from those published in the 2006/07 ARA Annual Report as minor adjustments have been made since publication

Operational Functions

ARA had three distinct operational functions: civil recovery; criminal confiscation; and taxation.

Civil Recovery

Civil Recovery powers enabled ARA to recover, in civil proceedings before the High Court, property which was, or which represented property obtained through unlawful conduct in England, Wales and Northern Ireland.

	2007-08		2006-07	
	Volume	Value (£m)	Volume	Value (£m)
Disruption	34	£17.2m	74	£57.3m
• Interim Receiving Order	1	£2.75m	7	£11.6m
• Property Freezing Order	22	£9.1m	48	£43.1m
• Significant Overt Action	4	£3.3m	0	£0.0m
• Settlements	0	0	4	£0.4m
• Voluntary Undertaking	7	£1.9m	15	£2.2m
Concluding Action	51	£20.2m	33	£16.2m
• Settlements/Consent Orders	32	£15.3m	0	£0.0m
• Recovery Order	19	£4.9m	9	£1.4m
Enforcement	–	£7.0m*	–	£15.0m

* The £7.0m figure is included in the £9.2m total recoveries figure for 2007/08. See Note 28 for further details

Civil Recovery Disruptions

The introduction of Property Freezing Orders (PFOs) in January 2006 considerably increased the effectiveness of the Agency, in particular by reducing its reliance on Interim Receivers (an area of significant expenditure). Interim Receivers, however, continued to be an important tool at ARA's disposal and performed an important function on behalf of the court in complicated cases.

The reliance by ARA on Interim Receivers reduced markedly in the last year and they now represent 3% of its disruption activity in 2007/08 against PFOs, which represent 64%. In contrast, in 2006/07 IROs represented 9% of ARA disruption activity. The availability of PFOs significantly enhanced the options available to ARA for effecting disruptions according to the size and nature of the property it was investigating.

In the past year there has also been an increase in the ARA's use of voluntary undertakings in smaller cases. They represent 21% of ARA's disruption activity in the past year. A voluntary undertaking is used in a smaller case where the respondent signs a voluntary agreement not to dissipate specified assets without the need for ARA to apply for a Court Order. This has reduced the time and cost of progressing cases.

Civil Recovery Completions

As cases have progressed through the pipeline in the past year, ARA focused on pushing cases through to completion so that the monies that it had been starting to take out of the criminal economy through disruption were permanently removed.

ARA learnt from some of the delays that it experienced in the past and developed new strategies to avoid such delays. This year ARA was especially innovative in its approach to completing cases. In 2007/8 increasing numbers of cases were completed either via settlement or trial, with 102 cases moving through to final action. In addition a number of respondents which had previously challenged ARA's actions at every stage agreed settlements in cases once appeal routes had been exhausted.

Criminal Confiscation

Confiscation, linked directly to a criminal prosecution, is dealt with on conviction and assesses both the benefit derived from the criminal activity and the assets available to the offender (which need not actually represent the benefit assessed) in order to repay the benefit to the Government.

	2007-08		2006-07	
	Volume	Value (£m)	Volume	Value (£m)
Disruption	38	£13.4m	34	£15.0m
• Confiscation Order	17	£1.8m	16	£1.5m
• Restraint Order	21	£11.6m	18	£13.5m
Concluding Action	43	£50.7m	21	£3.6m
• Confiscation Order	43	£50.7m	21	£3.6m
Enforcement	-	£1.5m	-	£0.4m

In 2007/08, 43 cases were completed with a combined value of £50.7 million. In England ARA delivered one of the largest ever confiscation orders at £40.95m concluding a 5 year investigation in collaboration with the Serious Fraud Office and Thames Valley Police. Approximately half of this order will go towards compensating victims of this fraud.

Taxation

ARA carried out taxation investigations in England, Wales, Scotland and Northern Ireland under Part 6 of POCA in cases where the Director had reasonable grounds to suspect that an income gain or profit, which is chargeable to the relevant tax, had arisen from criminal conduct.

	2007-08		2006-07	
	Volume	Value (£m)	Volume	Value (£m)
Disruption	14	£9.5m	8	£1.4m
• Tax Agreement	0	£1.4m	0	£0.0m
• Tax Assessment	14	£8.2m	8	£1.4m
Concluding Action	8	£3.5m	7	£0.5m
• Assessments becoming final where no appeal lodged	1	£0.2m	0	£0.0m
• Settlements	3	£2.3m	7	£0.5m
• Special Commissioners' Determinations of Tax Outstanding	2	£0.2m	0	£0.0m
• Tax Agreement	2	£0.8m	0	£0.0m
Enforcement	–	£0.7m	–	£0.5m

In 2007/8 ARA increased the resourcing of its tax function, enabling it to make more extensive use of its tax powers. A significant development was the use of taxation as part of "hybrid" cases where civil recovery and tax investigations were run in parallel. These cases made a significant impact in bringing cases to conclusion by avoiding protracted litigation.

Northern Ireland

ARA achieved positive results and made significant progress in cases in Northern Ireland this year. ARA brought 18 cases to conclusion recovering assets valued in excess of £8.5 million. This was due to a number of factors including:

- a number of cases finally reaching trial stage after several years of legal challenges and processes;
- the Agency's aggressive stance on promoting settlements; and
- the realisation by defendants and their representatives that, in view of the effective legislation and strong ARA cases, settlement was their best option.

The Financial Investigation Centre of Excellence

2007/8 Targets and Performance

<p>Deliver agreed number of courses on financial investigation and specialised modules.</p>	<p>Make provision for the delivery of training courses, delivered in co-ordination with our training partners. <i>Target: 75 – 90 courses.</i> 117 courses delivered</p> <p>Support training and development of UK priority jurisdictions within the international community. <i>Target: Provide capacity to deliver 6 courses.</i> 8 courses delivered.</p>
<p>Support the statutory duty of the Director of ARA through the effective monitoring and continuing professional development (CPD) of financial investigators.</p>	<p>Actively monitor the CPD of registered Financial Investigators (FIs). <i>Target: Implement suspension of registration for those who fail to comply with CPD, within published timeframe.</i> Policy implemented and 2 monitoring exercises of registered FIs completed. August 2007: 280 FIs suspended (70 now reinstated) October 2007: 72 FIs seconded (57 now reinstated)</p>
<p>Maximise opportunities to recover costs for the Agency's training services.</p>	<p>Implement a charging framework for recovery of training costs. <i>Target: £350,000 – £650,000</i> Income generated: £777,638</p>

The Financial Investigation Centre of Excellence provided ARA with the capacity to deliver on its statutory obligations for the provision of training and accreditation, and its strategic objectives by promoting the use of financial investigation as an integral part of criminal investigation. During 2007/08, the Centre continued to make significant contributions in building capacity for asset recovery across the whole law enforcement community, domestically and internationally, through ongoing development and delivery of the Financial Investigation Training Programme, bespoke training packages for other countries and associated procedures. In 2007/08 the Centre provided training for 516 new financial investigators and enhanced training for over 624 financial investigators. Training was delivered to 626 others from across the law enforcement community who attended supporting courses. As well as enhanced level training, other courses offered included pre-requisites training for those new to investigation, financial investigation management, senior appropriate officer and tutor courses and, more recently, cash seizure training in line with legislative changes in this area.

The training was delivered by the Centre supported by its training partners: Greater Manchester Police; HM Revenue & Customs; the Metropolitan Police Service; Police Service for Northern Ireland; and SOCA.

In addition to the training provided to police forces and HMRC, the Centre continued to meet its commitment to widen the training to a growing community of other law enforcement agencies which have access to the accredited powers under POCA. During 2007/08, ARA worked closely with many overseas jurisdictions to explain the UK's system and help them in developing their own approaches. Such training was delivered to delegates from Namibia and Jamaica.

Following on from the successful application to Edexcel in 2004 for assessment centre status for BTEC awards, the Centre offered three vocational awards in financial investigation equivalent to the National Vocational Qualification (NVQ) Level 4.

BTEC Vocational Qualification	2007-08 Uptake
Professional Diploma	203
Professional Certificate	36
Professional Award	2

The Director's statutory responsibility for the accreditation and monitoring of FIs was met using the Financial Investigation Support System (FISS). As part of the monitoring process FIs are required to undertake Continuing Professional Development (CPD) activities enabling them to maintain, develop and demonstrate competence in their role.

The Centre of Excellence has been merged with the NPIA with effect from 1st April 2008 which will continue to develop the role of financial investigation training across the law enforcement community.

Financing

ARA was financed by HM Treasury, through the Public Expenditure System (PES) [see: <http://www.knowledgenetwork.gsi.gov.uk/psg/psg.nsf> for further details]. The total financial resource allocation for 2007/08 was £18.007 million. This amounted to £15.55 million from ARA's baseline allocation and £2.45 million rolled forward using end-year flexibility from prior years.

In addition, from 1st July, 2005 HM Treasury agreed that total receivers' fees may be deducted from total proceeds before they are paid, via the Home Office, to the Consolidated Fund. As receivers' fees comprise a significant proportion of the Agency's expenditure (£4.7m in 2007/08), this had a significant impact on our funding requirements from HM Treasury.

From 1st April, 2006 the Agency has been participating in the Home Office's incentivisation scheme. The aim of this scheme is an incentive to develop the business of the department. On a quarterly basis, the Agency remits excess recovered assets to the Home Office. Of this amount remitted, 50% is paid back in the subsequent quarter to be split between the Agency and the referring Law Enforcement Agency (LEA). The recovered assets from civil cases paid over to the Home Office are net of amounts incurred against receivers' fees. Consequently, incentivisation amounts receivable for 2007/08 amount to £0.5m.

Additional income was obtained through the Home Office Recovered Assets Incentivisation Fund (RAIF) to offset expenditure by the Agency in this area. See Note 30 for further details.

To ensure efficient treasury management, proceeds from recovered assets were placed in an interest-bearing bank account before being paid over to the Consolidated Fund, via the Home Office, within the relevant timescales.

The following table contains a summary of outturn against key Estimate financial limits.

Key Financial Limits	2007/08			2006/07		
	Estimate	Outturn	Surplus (Deficit)	Estimate	Outturn	Surplus (Deficit)
	£000s	£000s	£000s	£000s	£000s	£000s
Net Resources	18,007	17,462	545	15,553	13,518	2,035
Net Administration Costs	4,743	4,717	26	3,897	3,889	8
Capital	150	39	111	-	312	(312)
Net Cash Requirement	20,787	15,658	5,129	17,063	14,430	2,633
Net Operating Costs	18,007	17,462	545	15,553	13,518	2,035

For 2007/08, ARA had an Estimate provision of £18,007k. This provision was made under Resource Departmental Expenditure Limits (DEL). Capital DEL was estimated at £150k.

The underspend on Net Resources of £545k reflects delays filling vacant posts, lower forensic fees than expected, lower rent and rates than budgeted figures. In addition, training and incentivisation income was higher than budgeted.

The Net Cash Requirement shows an underspend of £5,129k which principally reflects the underspend on Net Resources of £545k against an increase in working capital of £4,154k (see Note 4).

Progress against targets over 2007/08 has been marked by notable successes and important learning points. In many instances targets have been exceeded but ARA also learned much from its experience over the past four years, in particular regarding the timescales over which we can expect cases to progress.

Going Concern

On 31st March 2008, ARA ceased to exist. Its operational functions were merged into SOCA, and its training functions merged into the NPIA. The Agency's assets, liabilities and taxpayers' equity as at 31st March 2008 were transferred to SOCA and NPIA in accordance with FRS6. Consequently, it was appropriate to perform a full review of the Agency's asset base during 2007/08.

The balance sheet at 31 Mar 2008 shows a decrease in Taxpayers Equity, giving a negative balance of (£2,433k) at year-end. This reflects the inclusion of liabilities as at 31st March 2008 falling due in future years which are to be financed [mainly] by proceeds from recovered assets and drawings from SOCA's grants-in-aid from the Home Office.

All unspent monies at year-end, including those derived from the Department's income, are surrenderable to the Consolidated Fund.

It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements, as the Agency's activities will be continued within SOCA and NPIA.

Accounting Officer of the Agency and Management Board

The Accounting Officer and members of the Management Board during 2007/08 were:

Jane Earl	-	Accounting Officer (to 30th April 2007)
Alan McQuillan	-	Accounting Officer (from 1st May 2007)
Charlie Dickin	-	Deputy Director, Operations
Ivor Johnston	-	Deputy Director, Services
Jeff Hill	-	Head of Finance & Procurement
Bob McCann	-	Non-Executive Director & Chair of Audit Committee
Janet Paraskeva	-	Non-Executive Director (Also SOCA Board member)

Appointment of Accounting Officer and Management Board

The Accounting Officer and Deputy Directors of Operations and Services were appointed in line with section 5.1 of the Civil Service Management Code. The Deputy Director of Operations is on a secondment from Avon and Somerset Constabulary, following open competition. All other members of the Management Board were appointed via open competition under permanent staff terms, except for Head of Finance who was appointed for an 11 month fixed-term contract. The remuneration of the Accounting Officer and the other members of senior management was informed by the Senior Salaries Review Body. In accordance with section 2 of the Civil Service (Management Functions) Act 1992, the ARA could appoint staff as members of the Home Civil Service without the approval of the Minister for

the Civil Service. Details on the costs, remuneration and pension arrangements for the ARA's management and staff can be found in Note 2 of the Resource Accounts.

The Director General of SOCA, William Hughes took over the position of Accounting Officer for ARA with effect from 1st April 2008.

Employees' pension benefits were provided through the Principal Civil Service Pension Scheme (PCSPS). This is an unfunded, statutory scheme, which provides benefits on a "final salary" basis at normal retirement age of 60. From 1 October 2002, there were significant changes to the operation of the scheme. Under the original scheme benefits accrue at the rate of 1/80th of pay per year of service. Members pay contributions of 1.5% of pensionable earnings. Under the revised arrangements, members contribute a higher rate of 3.5% of pensionable pay in order to receive a higher pension based on 1/60th of final pensionable pay per year of service together with a range of related additional benefits. All members were required to opt to remain in the old scheme or to join the new scheme or a third, intermediate scheme (retaining characteristics of the other main schemes) by Autumn 2002. Under both schemes, pensions are increased in payment in line with the Retail Prices Index.

Prompt Payment Policy

The Assets Recovery Agency was committed to the prompt payment of bills for goods and services received in accordance with the Government's Better Payments Practice Code and British Standard BS 7890 "Achieving Good Payment Performance in Commercial Transactions". Unless otherwise stated in the contract, payment was due within 30 days of the receipt of the goods or services or presentation of a valid invoice or similar demand, whichever is later. Assets Recovery Agency paid 80% of all invoices within 30 days of the date on which they were registered for payment during the period.

There were a large number of invoices which have been queried, with their payment delayed accordingly. In particular, the resolution of queries in relation to receivers' fees take a significant time to resolve, due to the complexity of work performed.

Interest Rate and Currency Risk

The Assets Recovery Agency had no borrowings and relied primarily on departmental grants for its cash requirements, and was therefore not exposed to liquidity risks. All material assets and liabilities are determined in sterling, so were not exposed to currency risk. Proceeds from recovered assets were placed in an interest-bearing bank account, whilst awaiting payment over to Consolidated Fund, via the Home Office.

Fixed Assets

Details of the movement in fixed assets are set out in Notes 10 and 11 to the Financial Statements. A full review of the Agency's asset base was carried out during 2007/08, prior to its merger with SOCA and NPIA. Where assets did not transfer into these Agencies on 1st April 2008, accelerated depreciation was applied.

Health and Safety

The Agency was committed to providing for staff an environment that was as far as possible safe and free from risk to health. In line with this commitment, the relevant legislation was complied with.

Equality and Diversity

The Agency was committed to a policy which valued equality and diversity, being one of its five core values. The Agency provided not only a working environment that was free from discrimination, harassment or victimisation, where everyone received fair and equal treatment related to effective performance in their job, but also where the Agency harnessed the different perspectives and skills of everyone, and made full use of them in its work. The Agency created an ethos in which it responded to

the needs of its staff and customers, where diversity was truly valued and where everyone was treated with dignity and respect.

The Agency's policies incorporated all relevant employment law, legislation and best practice to ensure that the Agency did not discriminate against anyone who worked for the Agency or came into contact with the Agency.

Employment of Disabled Persons

The Agency followed the Civil Service Code of Practice on the Employment of Disabled People. The Code aims to ensure that there is no discrimination on the grounds of disability and that access to employment and career advancement is solely based on the competencies required for the job and the individual ability. The Agency also signed up to the "two ticks" Disability Symbol programme.

Employee Relations and Development

The Agency was committed to creating and maintaining good industrial relations, both directly between line managers and their staff, and between management and the recognised trade unions. The Agency fostered a spirit of co-operation and partnership between all concerned, in the interests of efficiency and the well being of all Agency staff. This meant recognising the responsibilities of managers to manage, the need for good communications with staff and their representatives, and proper consultation wherever appropriate on issues affecting staff and their conditions of service.

Quality Assurance

The Agency achieved Investor in People (IiP) accreditation in Dec 2004, with this updated according to the new standard in March 2006.

Lexcel is the Law Society's excellence standard for legal practices in their practice management standards. It is a standard which applies to the administrative work carried out in a legal team, and ensures clarity and consistency in the teams work.

The Legal Services Team (Belfast) was successfully awarded with the Lexcel accreditation in April 2005. The legal team continued its compliance with the Lexcel standard in 2006 and 2007, gaining notable recognition for areas of good practice.

The Legal Department (London) was awarded the Lexcel accreditation in December 2004 and again in February 2007. These accreditations were awarded with no non-compliances.

Freedom of Information

The Freedom of Information Scheme went live on 1 January 2005, and the ARA was committed to the move towards greater transparency and increased openness in government decision making.

Social and Community Issues

The Agency had a wide range of cases involving criminality including housing benefit fraud, mortgage fraud, importing drugs and drug trafficking, money laundering and counterfeit goods amongst others. By disrupting these activities, the Agency alleviated the effects of crime on communities. Furthermore, of the assets recovered, the Home Office will reallocate amounts each year on schemes to benefit communities.

Environmental issues

Office waste which contains sensitive material was shredded before it left the premises and subsequently burnt due to security issues. Other non-sensitive material was regularly recycled. With regards to emissions to air, the Agency's offices would produce a normal level of greenhouse gases as befits standard air-conditioned offices. The use of videoconference equipment was also widely encouraged as a first option through which to hold meetings, which would otherwise require travel.

Auditors

Under the Government Resources and Accounts Act 2000, the Assets Recovery Agency's accounts are audited by the National Audit Office, on behalf of the Comptroller and Auditor General. The notional audit fee for 2007/08 was £81,000.

Reporting of Personal Data related Incidents

Incidents, the disclosure of which would in itself create an unacceptable risk of harm, may be excluded in accordance with the exemptions contained in the Freedom of Information Act 2000 or may be subject to the limitations of other UK information legislation.

The Agency has always taken security of data extremely seriously. At all times during 2007/08, the standards set with ARA met, or significantly exceeded, those now mandated by the Cabinet Office for security and protection of data.

Table 1: Summary of protected personal data related incidents formally reported to the Information Commissioner's office in 2007-08				
Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentiall involved	Notification steps
N/A	N/A	N/A	N/A	N/A
Further action on information risk	The Agency has always taken security of data extremely seriously. At all times during 2007-08, the standards set with ARA met those now mandated by the Cabinet Office for security and protection of data.			

Table 2: Summary of other protected personal data related incidents in 2007-08		
Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within the Department are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures		
Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	Nil
II	Assistant Financial Investigator's purse stolen. Contents included ARA business card in pseudonym, details of real identity and address and business card for Team Leader.	1
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	Nil
IV	ARA Head of Corporate Services named on NI School Governors web-site. Employment details included in error.	1
V	Other	Nil

	Total number of protected personal data related incidents formally reported to the Information Commissioner's Office, by category number						Total number of other protected personal data related incidents, by category number					
	I	II	III	IV	V	Total	I	II	III	IV	V	Total
2006-07	Nil	Nil	Nil	Nil	Nil	Nil	Nil	1	Nil	Nil	Nil	1
2005-06	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
2004-05	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

International

The Agency expected that the necessary subordinate legislation to enable Part 11 of the Act to be brought into force effectively would be in place by 2004, with implementation taking place in 2005/06. Although the Home Office, which is responsible for drafting the necessary Orders in Council, has remained in consultation with the Agency and other interested parties, only limited progress has been made in drafting the necessary provisions. This is, in part, due to the extreme complexity of this area of the law; and the Agency's concern remains not only that there should be a broad measure of consistency between the domestic and overseas regimes, but also that the procedures for overseas cases should be fully workable. However, the Home Office now has the necessary subordinate legislation partly in place.

The Camden Assets Recovery Inter-Agency Network (CARIN) is an informal international network in respect of tracing, seizure and confiscation of the proceeds from crime. The aim of CARIN is to increase the effectiveness of members' efforts, individually and collectively, on a multi-agency basis, in depriving criminals of their illicit profits, through its key objectives. CARIN is not a substitute for, or an alternative, to the formal and legal structures which already exist, for example, for the exchange of financial intelligence; for the gathering or exchange of evidential material; or for the provision of mutual legal assistance. CARIN and its network of contact points can help financial investigators and others to make requests under these arrangements in the right way and put them in contact with people in other countries who can help them make requests. The Agency provided, in collaboration with the Scottish Drugs Enforcement Agency, the UK's contact points for CARIN. SOCA will continue this role from 2008-09.

In 2007/08, the Agency provided active support and co-operation to its partners internationally, including:

- providing support and advice to jurisdictions, including Jamaica and Namibia, looking to develop and establish Civil Recovery regimes
- hosting visits from colleagues from around the world, including Namibia, Northern Cyprus and Jamaica
- building international co-operation through Repatriation Orders and worldwide Freezing Orders

The Centre of Excellence continues to support the development of financial investigation capacity in the international community through the training of FIs and in developing and implementing sustainable training strategies in other jurisdictions.

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.

William Hughes
Accounting Officer

2nd July 2008

Remuneration Report

The remuneration of senior management of the Agency was as follows (as audited by the National Audit Office):

	Salary, including Performance Pay ***	Real increase in pension & related lump sum at age 60	Total accrued pension at age 60 at 31/3/08 and related lump sum	CETV at 31/3/07 **	CETV at 31/3/08	Real increase in CETV after adjustment for inflation and changes in market investment factors	Employer contribution to partnership pension account including risk benefit cover
	2007-08 (2006-07) £000	2007-08 £000	£000	Nearest £000	Nearest £000	Nearest £000	Nearest £000
Jane Earl,* <i>Director</i> (left Agency on 30th April 2007)	10-15 (140-145)	0-2.5	7.5-10	113	119	7	N/A
Alan McQuillan,* <i>Director</i>	120-125 (100-105)	2.5-5	7.5-10	111	171	40	N/A
Charlie Dickin, Deputy Director, Operations ****	135-140 (100-105)	N/A	N/A	N/A	N/A	N/A	N/A
Ivor Johnston, Deputy Director, Services	85-90 (55-60)	5-7.5 plus lump sum of 17.5-20	22.5 25 plus lump sum of 70-75	269	421	106	N/A
Jeff Hill, Interim <i>Head of Finance</i>	50-55 (N/A)	N/A	N/A	0	11	9	N/A

Notes:

- * opted to join Premium
- ** difference to CETV at 31/03/07 in 2007-08 accounts, as these values are updated as per APAC return and the CETV criteria changed this year
- *** the remuneration table includes 2007-08 Senior Civil Service bonus, but the accounts also reflect the equivalent from 2006-07, as this has been reported on a cash base in previous years' Resource Accounts.
- **** Charlie Dicken's 2007-08 salary includes £26k for travel and accommodation. The equivalent cost for 2006-07 is not shown in the above figures. ARA met the tax falling due in respect of this allowance

The two Non Executive Directors received Remuneration in the range of £5-£10k during 2007/08.

Salary

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

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the Agency and treated by HMRC as a taxable emolument. There were no qualifying benefits in kind made to any member of the Management Board during 2006/07 nor in 2007/08.

Civil Service Pensions

Pension benefits were provided through the Civil Service Pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

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

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

Columns 4 & 5 of the above table show the Management Board member's cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. Column 6 reflects the increase in CETV effectively funded by the Agency. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service Pension arrangements and for which the Civil Service Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn. The real increase in CETV reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Pay Committee

There were two committees within the Agency that dealt with issues of salary on an executive basis for the management board. The ARA SCS Pay Committee met at an annual event chaired by an NED to discuss SCS members' pay. The ARA Staff Pay Committee, also chaired by an NED, met at least quarterly to review any exceptional, individual pay awards and clear market rating recommendations

The membership of the two committees during 2007/08 was as follows:

SCS Pay Committee

Janet Paraskeva (chair)
Bob McCann
Jeff Hill

Staff Pay Committee

Janet Paraskeva (chair)
Ivor Johnston
Bob McCann
Jeff Hill

Policy on remuneration of Senior Managers

The remuneration of senior managers who are classified as Senior Civil Servants (SCS) was decided by ARA SCS Pay Committee in line with the detailed guidance from the Cabinet Office.

SCS members were also considered for performance related pay awards. Again, these were decided by SCS Pay Committee in line with the Cabinet Office policies.

There were no non-cash packages given to Senior Managers in 2007/08.

Alan McQuillan, a member of Premium left under Flexible Early Retirement Terms on 31st March 2008. The total Compensation paid to Mr McQuillan is as follows:

- A lump sum compensation payable at date of leaving = £25-£30k
- An annual compensation payment of £15-20k payable until the age of 60.

He is also entitled to a pension payable at age 60.

Performance Management

The Agency had a Performance Management System in place, through which assessments were made to ensure that performance conditions are met. This method was developed following a wide consultation exercise with team members at workshops and in individual discussions.

The main components of the current system were as follows, although it should be noted that this was constantly reviewed:

- Recorded monthly 1:1 meetings were held to discuss progress against day to day tasks and PA objectives.
- Six monthly deadlines for submission of documentation were strictly adhered to.
- Where requested by the team member, more regular evaluation took place (for career development or any other purposes).
- Where there were concerns regarding performance, the Team Leader/Manager could request more regular evaluation.

Senior Management Contracts

Details of contracts for senior managers in the year 2007-08 are shown in the table below:

	<i>Contract type</i>	<i>Contract end date</i>	<i>Early Termination Awards</i>
Jane Earl	Fixed term	30/04/07	N/A
Alan McQuillan	Permanent	N/A	N/A
Charlie Dickin	Seconded	31/12/08	N/A
Ivor Johnston	Permanent	N/A	N/A
Jeff Hill	Fixed term	14/04/08	N/A

The policy on duration of contracts for SCS is in line with SSRB recommendations. The standard recommended duration for this is a 4-year "tour of duty" per role, by which time, it is anticipated that the SCS will progress into another position, either sideways or above. Jane Earl ended her contract on 30th April 2007. The Deputy Director of Operations was appointed as the Director and Accounting Officer for 2007/08. From 1st April 2008, William Hughes took over the role of Accounting Officer. The Deputy Director of Services has transferred to Operations for 2007/08. The Head of Finance subsequently transferred as the Deputy Director of Services with effect from 8th May 2007. An Interim Head of Finance was appointed on 14th May 2007.

There are no amounts payable to third parties in relation to the services of senior management, other than standard salary costs incurred for those members on secondment.

There were no fixed rates regarding the proportion of pay that is subject to performance conditions.

William Hughes
Accounting Officer

2nd July 2008

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act 2000, the Assets Recovery Agency was required to prepare resource accounts for each financial year, in conformity with a Treasury direction, detailing the resources acquired, held, or disposed of during the year and in the use of resources by the agency during the year.

The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Agency, the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

The Treasury appointed the Director as Accounting Officer of the Agency with responsibility for preparing the Agency's accounts and for transmitting them to the Comptroller and Auditor General. As the role of Director did not exist from 31st March 2008, these responsibilities were transferred to the Director General of SOCA, in his role as Accounting Officer for ARA post 1st April 2008.

In preparing the accounts, the Accounting Officer is required to comply with the Financial Reporting Manual (FReM) prepared by the Treasury, and in particular to:

- Observe 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 Financial Reporting Manual (FReM), have been followed, and disclose and explain any material departures in the accounts;
- Prepare the accounts on a going concern basis.

The responsibility of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Agency's assets, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in the Government Financial Reporting Manual (FReM).

STATEMENT ON INTERNAL CONTROL

Scope of Responsibility

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

Following the enactment of the Serious Crime Act 2007, on 1 April 2008 the Assets Recovery Agency merged with the Serious Organised Crime Agency. In consequence, as SOCA's Director General and Accounting Officer, I was appointed Accounting Officer for the ARA from 1 April 2008 to ensure completion and sign off the Agency's closing accounts.

In accordance with DAO(Gen) 02/07 which reminded Accounting Officers of their responsibilities when the areas for which they are responsible change, I agreed with the Agency's previous Accounting Officer how regularity, propriety and value for money should be maintained during the transition and am content that I have sufficient assurance about the information underpinning the Agency's resource accounts to sign them with confidence.

In complying with my responsibility, I have had advice on the preparation of the accounts from my predecessor as Accounting Officer.

The purpose of the system of internal control

The Agency's system of internal control was designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives: it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Agency's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control was in place in the Assets Recovery Agency for the year ended 31 March 2008, when the Agency merged with the Serious Organised Crime Agency, and accorded with Treasury guidance.

Capacity to handle risk

ARA was committed to the principles of risk management, and in supporting those principles:

- Supported responsible, well thought through risk taking and innovation;
- Encouraged staff at all levels to innovate, contribute ideas and raise concerns;
- Supported the concept that 'Risk management is good management' and forms part of the every day activities of all staff;
- Provided guidance, training and tools to skill staff in managing risk and ensured that responsibilities were clear;
- Provided support when things were wrong and took action on lessons learned.

Risk management is a key component of the internal control framework. The Agency implemented risk management arrangements during 2007/08 that had been developed during the previous year.

The risk management framework more fully recognised the role that each member of staff played in risk management on a daily basis. Through working closely with Management Board and Internal Audit, through the Senior Management Team, a Risk Managers Group operated representing all Agency Business Units. The system introduced risk management into the annual business planning and

6-monthly performance management cycles. A clear escalation structure, reporting structure and audit trail reinforces the Agency's commitment to risk management. The Risk Managers Group monitored risk within the Agency's departments; corporate risk was monitored by the Management Board; and the Audit Committee monitored the overall system of internal control.

A Corporate Risk Register was maintained throughout 2007/08 to support the risk framework.

The risk and control framework

Business risks arose not only from possible threats to the Agency, but also from failure to take advantage of possible opportunities. There were four main categories of risk that the Agency considered and sought to manage:

- External risks to ARA – such as changes in economic or political circumstances;
- Financial risks – those events and actions which had a direct financial impact on ARA leading to increased expenditure (e.g. claims for compensation) or nugatory spending (e.g. the costs of a failed project);
- Activity risks-those events or actions which could disrupt the Agency's ability to provide a service or which could result in ARA acting in a way contrary to its objectives; and
- Human Resource risks – which were events having a direct impact on staff.

The following documents provided an audit trail of risk management and also served as tools for more direct and active management of risk:

- Business Plans – these included an additional risk column to help formalise the process whereby emerging risks were identified and fed into the risk management process;
- Performance Agreements – these recorded updates on controls and emerging risks (as and when required) as a mechanism to update the risk register and risk logs;
- Risk hierarchy and escalations – the interaction between the different risk registers;
- Risk matrix – this contained the step by step process under which all identified risks were rated.
- Corporate Risk Register – contained the corporate risks identified by the Management Board, plus those risks directly managed by the Board, requested permanent business level risks, ad hoc project risks and escalated risks. These were reported upon quarterly to the Audit Committee;
- Business Risk Register – contained the Business Unit Risks (i.e. those risks which had been delegated by the Board for management at Business Unit level), together with identified generic risks that were managed across all teams. They were specific to the Business Unit;
- Team Risk Log – contained a record of all the controls to mitigate identified risks, together with an action list and identified action owners.
- Risk Stewardship Statement – produced by all risk managers for use at the quarterly Senior Management Team meeting;
- Risk Reporting – a randomly selected business unit risk register was reviewed at each quarterly Audit Committee.

During the preparations for the merger the Agency was wholly involved in the joint risk management process with SOCA and NPIA. The Agency was represented on all Project Management Forum and Workstream meetings that discussed and managed risk issues. All matters relating to the risks stemming

from the merger were also reported to the Agency's Management Board on a monthly basis as part of wider merger reporting with the Agency.

Review of effectiveness

As Accounting Officer for ARA, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the system of internal control was informed by the work of the Agency's Internal Auditors (Deloitte and Touche LLP), the executive managers within the Agency who had responsibility for the development and maintenance of the internal control framework, and comments made by the National Audit Office in their management letter and other reports.

Based on the work they had undertaken within ARA during 2007/08 Internal Audit concluded that they could provide a reasonable level of assurance in relation to risk management, control and governance. During 2007/08, where Internal Audit had raised recommendations, these were accepted where appropriate by management and action plans agreed. ARA continued to strengthen its control environment by developing new systems in financial management and human resource systems, control awareness training for staff and enhanced management checks. In response to Internal Audit recommendations, the Agency also developed and tested a Business Continuity Plan (BCP).

The following procedures were in place as necessary to implement Treasury guidance on Corporate Governance:

- A Management Board which met monthly to consider management and strategic issues (the Board comprised the senior members of the Agency). The Board regularly reviewed the Agency's priorities and the arrangements for their delivery, and established a strategic framework within which detailed business planning took place. The Management Board included two Non Executive Directors to support and develop independent governance;
- An Audit Committee which met quarterly during 2007/08, chaired by a Non-Executive Director, to advise the Accounting Officer on the adequacy of risk management and internal control arrangements in the Agency and on the implications of assurances on risk and control. The Committee's role supported the annual Statement on Internal Control and monitored the ARA's risk management and internal controls on a regular basis with a full risk and control assessment reported on the year ending 31 March 2008. Risk management was fully incorporated into the corporate planning and decision-making processes of the organisation;
- Pay Committees to deal with issues of salary on an executive basis for the Management Board. The ARA Senior Civil Service Pay Committee met at an annual event chaired by a Non-Executive Director to discuss SCS pay. The ARA Staff Pay Committee, also chaired by a NED, met at least quarterly to review any exceptional, individual pay awards and to make pay recommendations to the Board on Agency wide pay reviews. The Non-Executive Directors held majority votes in both Pay Committees.
- An information security policy and procedures aligned with BS7799 and a regular programme of independent external reviews to ensure that information security and related risk management was effective and consistent with BS7799. During 2007/08, the Cabinet Office issued guidance on the reporting of Personnel Data related incidents. The Agency met, or exceeded, requirements in this regard, as reported on page 12 of the Management Commentary;
- The Agency operated a professional standards policy;
- In addition the Centre of Excellence was externally reviewed twice per year by the validators of their training qualification, Edexcel

During 2007/08, the Agency responded to a Value for Money review by the National Audit Office (NAO). Their report recognised that the Agency had exceeded all of its disruption targets but pointed out that there were areas where improvements could be made on some of its systems. The Agency started to

address a number of the aspects identified in the report, and worked with the Serious Organised Crime Agency (SOCA) and the National Police Improvement Agency (NPIA) during transition to ensure other aspects of the NAO report were responded to post-merger.

Working In Partnership

The Assets Recovery Working Group (ARWG), a group comprising HM Revenue & Customs, Association of Chief Police Officers (ACPO), Serious Organised Crime Agency (SOCA), the Crown Prosecution Service, Financial Services Authority, Northern Ireland Office, Public Prosecution Service (NI) and the Department of Constitutional Affairs (DCA), as well as the Agency, was established in June 2002. The group meets monthly to monitor and manage its programme and to drive achievement of asset recovery targets. The ARWG has already delivered:

- strong inter-agency commitment to the delivery of challenging financial targets;
- use of the Joint Asset Recovery Database (JARD) to better manage performance and enforcement;
- promulgation of best practice through the POCA Update and Money Laundering newsletters with over 5000 regular recipients;
- development of the assets recovery communications strategy;
- use of the 'payback' branding for all asset recovery activity; and
- a programme of events to build support for asset recovery as a mainstream tool for reducing harm and crime.

ARA's senior management played a full part in the ARWG and the Home Office chaired Asset Recovery Board which provides strategic oversight on progress against the Government Asset Recovery Delivery Plan

The JARD was developed by ARA to provide a central repository of information covering all aspects of the asset recovery process. It encompasses cash seizure, asset restraint, criminal confiscation, civil recovery and criminal taxation cases flowing from POCA and all its predecessor legislation. JARD enables financial investigators, prosecutors, Magistrates' and Sheriffs' Courts across the asset recovery community to manage the end to end process of a case as it passes through the justice process. It is a cross-Government and cross-law enforcement database used by in excess of 3,000 individuals in over 300 locations throughout the United Kingdom.

The Agency's work on developing Memoranda of Understanding with key stakeholders and other organisations progressed and these were regularly reviewed to ensure that all arrangements outlined were still operationally beneficial and relevant to both parties. There were also regular liaison meetings between the Agency and partner agencies, including the Home Office and HM Revenue & Customs. These served to ensure joint working between organisations.

Following enactment of the Serious Crime Act, there is no longer a requirement to prepare an annual plan for the Secretary of State's approval for the work of the Assets Recovery Agency. Going forward, this reporting requirement is encompassed in the annual planning arrangements of SOCA and NPIA.

William Hughes
Accounting Officer

2nd July 2008

The Certificate of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Assets Recovery Agency for the year ended 31 March 2008 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and Auditor

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

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

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

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

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

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the section entitled "Annual Report" and the unaudited part of the Remuneration Report. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinions

Audit Opinion

In my opinion:

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

Audit Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

T J Burr
Comptroller and Auditor General

10th July 2008

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

Statement of Parliamentary Supply

Summary of Resource Outturn 2007-08

	2007-08 Estimate			2007-08 Outturn			2007-08	2006-07
	Gross expenditure	Appropriations in Aid	Net Total	Gross expenditure	Appropriations in Aid	Net Total	Net total outturn compared with Estimate saving/ (excess)	Net Total
	1 £000	2 £000	3 £000	4 £000	5 £000	6 £000	7 £000	£000
Request for Resources 1	32,145	(14,138)	18,007	24,598	(7,136)	17,462	545**	13,518
Total Resources (Note 2)	32,145	(14,138)	18,007	24,598	(7,136)	17,462	545**	13,518
Non Operating – Cost A-in- A	–	–	–	–	–	–	–	–

Net cash requirement 2007-08

	2007-08		2006-07	
	£000s	£000s	£000s	£000s
Net Cash Requirement				
			Net total outturn compared with Estimate saving/ (excess)	Outturn
	Note 4	Estimate 20,787	Outturn 15,658	5,129
				14,430

Summary of income payable to the Consolidated Fund

The Agency has no income which is payable to the Consolidated Fund.

** Explanations of variances between Estimate and outturn are given in the Management Commentary

The notes on Pages 31 to 48 form part of these accounts

Operating Cost Statement for the year ended 31 March 2008

	Note	2007-08 £000		Income	2006-07 £000
		Staff Costs	Other Costs		
Administration Costs					
Staff costs	7	943			917
Other administration costs	8		3,540		3,045
Exceptional costs*		206	186		–
Operating income	6			(158)	(73)
		<u>1,149</u>	<u>3,726</u>	<u>(158)</u>	<u>3,889</u>
Programme Costs					
Staff costs	7	8,692			8,100
Other programme costs	9		10,798		12,865
Exceptional costs*		116	117		–
Operating Income	6			(6,978)	(11,336)
		<u>8,808</u>	<u>10,915</u>	<u>(6,978)</u>	<u>9,629</u>
Totals		<u>9,957</u>	<u>14,641</u>	<u>(7,136)</u>	<u>13,518</u>
Net Operating Cost	3			<u>17,462</u>	<u>13,518</u>

All income and expenditure is derived from continuing operations

*Exceptional costs relate to expenditure directly incurred as a result of the merger of ARA into SOCA and NPIA.

Statement of Recognised Gains and Losses

	Note	2007-08 £000	2006-07 £000
Net gain/(loss) on revaluation of tangible fixed assets	10	–	11
Net gain/(loss) on revaluation of intangible fixed assets	11	–	(2)
Recognised gains and losses for the financial year*		<u>–</u>	<u>9</u>

* Fixed assets were not revalued in 2007-08. Instead a full review of fixed assets was performed with accelerated depreciation applied to those assets which did not transfer to either SOCA or NPIA on 1st April 2008.

The notes on Pages 31 to 48 form part of these accounts

Balance Sheet as at 31 March 2008

	Note	31-Mar-08		31-Mar-07	
		£000	£000	£000	£000
Fixed Assets					
Tangible assets	10		1,126		1,580
Intangible assets	11		–		11
Debtors falling due after 1 year	13		–		–
Current Assets					
Debtors	13	1,082		3,304	
Cash at bank and in hand	14	6,352		3,080	
		<u>7,434</u>		<u>6,384</u>	
Creditors (amounts falling due within one year)	15	<u>(10,620)</u>		<u>(8,427)</u>	
Net Current Liabilities			(3,186)		(2,043)
Total Assets less Current Liabilities			(2,060)		(452)
Creditors (amounts falling due after more than one year)	15	–		(89)	
Provisions for liabilities and charges	16	(373)	(373)	–	(89)
			<u>(2,433)</u>		<u>(541)</u>
Taxpayers' Equity					
General Fund Deficit	17		(2,534)		(642)
Revaluation reserve	18		101		101
			<u>(2,433)</u>		<u>(541)</u>

William Hughes
Accounting Officer

2nd July 2008

The notes on Pages 31 to 48 form part of these accounts

Cash Flow Statement for the year ended 31 March 2008

	Note	<u>2007-08</u>	<u>2006-07</u>
		£000	£000
Net cash outflow from operating activities	19 a)	(15,619)	(14,118)
Capital expenditure and financial investment	19 b)	(39)	(312)
Financing	19 d)	18,930	17,433
(Decrease)/Increase in cash in the period	19 e)	<u>3,272</u>	<u>3,003</u>

The notes on Pages 31 to 48 form part of these accounts

Statement of Operating Costs by Departmental Aim and Objectives for the year ended 31 March 2008

	<u>Gross</u>	<u>2007-08</u>	<u>Net</u>
	£000	Income	£000
	£000	£000	£000
Aim: to reduce crime by recovering the proceeds of crime			
Objective 1:	22,564	(6,345)	16,219
Objective 2:	2,034	(791)	1,243
Net Operating Costs	<u>24,598</u>	<u>(7,136)</u>	<u>17,462</u>

Operating Costs by Departmental Aim and Objectives for the year ended 31 March 2007

	<u>Gross</u>	<u>2006-07</u>	<u>Net</u>
	£000	Income	£000
	£000	£000	£000
Aim: to reduce crime by recovering the proceeds of crime			
Objective 1:	23,196	(10,925)	12,271
Objective 2:	1,731	(484)	1,247
Net Operating Costs	<u>24,927</u>	<u>(11,409)</u>	<u>13,518</u>

Note: The Objectives above are consistent with the ARA's 2007-08 Business Plan, which were agreed with the Home Secretary and Secretary of State for Northern Ireland.

Objective 1: to reduce crime by recovering the proceeds of crime through criminal confiscation, civil recovery and taxation.

Objective 2: to promote the use of financial investigation as an integral part of criminal investigation through training and continuing professional development.

The notes on Pages 31 to 48 form part of these accounts

Notes to the Accounts

1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2007/08 Government Financial Reporting Manual (FRoM) issued by HM Treasury. The accounting policies contained in the FRoM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. The particular accounting policies adopted by the ARA are described below.

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

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

The financial statements have been prepared on a going concern basis as the Agency's activities will be continued within SOCA and NPIA.

1.1 Accounting convention

The financial statements have been prepared in accordance with the historical cost convention, modified to include the revaluation of fixed assets at their value to the business by reference to their current costs.

1.2 Tangible fixed assets

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. Expenditure on tangible fixed assets of over £2,000 is capitalised. In addition, items such as IT hardware systems, which are under a single management control and do not exceed £2,000 individually but total at least £25,000 (including VAT) on a grouped basis, are also capitalised.

On initial recognition they are measured at cost including any costs such as installation directly attributable to bringing them into working condition. All tangible fixed assets are restated to current value each year. Buildings are restated to current value using professional valuations in accordance with FRS 15 every five years and in the intervening years by the use of H M Treasury published indices appropriate to the type of building. Non-property operational assets are revalued to open market value where obtainable, or on the basis of depreciated replacement cost where market value is not obtainable. Published indices appropriate to the category of asset are normally used to estimate value.

1.3 Depreciation

Depreciation is on a straight line basis and the rates are as follows:

Building Enhancements	–	10 years
Office Equipment	–	5 to 10 years
Office Furniture	–	10 years
IT & Communications	–	3 to 10 years
Security Equipment	–	5 to 10 years

The estimated useful lives of fixed assets were reviewed regularly. A full review of fixed assets was performed prior to the merger with SOCA and NPIA. Where assets did not transfer into these Agencies on 1st April 2008, accelerated depreciation was applied during 2007-08.

1.4 Intangible Assets

Purchased computer software licences are amortised over the period of the licence duration. If unspecified, they are amortised over a period of 3 years.

1.5 Research and development

Expenditure on research is not capitalised. Development expenditure is capitalised if it meets the criteria specified in the *Financial Reporting Manual (FReM)*, which are adapted from SSAP 13 to take account of the not-for-profit context. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. Fixed assets acquired for use in research and development are depreciated over the life of the associated project, or according to the asset category if the asset is to be used for subsequent production work.

1.6 Operating income

Operating income is income which relates directly to the operating activities of the Agency. It comprises fees and charges for services provided on a full-cost basis to external customers, together with income from recovered assets and from the Home Office incentivisation policy. It includes not only income appropriated in aid of the Estimate but also income to the Consolidated Fund, which in accordance with the FReM is treated as operating income. Operating income is stated net of VAT. See Note 6 for further details.

1.7 Administration and programme expenditure

The Operating Cost Statement is analysed between administration and programme costs. Administration costs reflect the costs of running the Agency. These include both administrative costs and associated operating income. Income is analysed in the notes between that which, under the administrative cost-control regime, is allowed to be offset against gross administrative costs in determining the outturn against the administration cost limit, and that operating income which is not. Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Agency, as well as certain staff costs where they relate directly to service delivery. The classification of expenditure and income as administration or as programme follows the definition of administration costs set by HM Treasury.

1.8 Capital charge

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

- a) tangible and intangible fixed assets where the cost of capital charge is based on opening values, adjusted pro rata for in-year:
 - additions at cost
 - disposals as valued in the opening balance sheet (plus any subsequent capital expenditure prior to disposal)
 - impairments at the amount of the reduction of the opening balance sheet value (plus any subsequent capital expenditure)
 - depreciation of tangible and amortisation of intangible fixed assets;
- b) donated assets, and cash balances with the Office of the Paymaster General (OPG), where the charge is nil.

1.9 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Agency, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Operating Cost Statement over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the Operating Cost Statement on a straight-line basis over the term of the lease.

1.10 Pensions

Direct employees of the ARA are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is a defined benefit scheme and is unfunded and non-contributory. The ARA recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. There is a separate scheme statement for the PCSPS as a whole.

1.11 Value Added Tax

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

1.12 Confiscated Assets

The Agency's operational role under the Proceeds of Crime Act 2002 gave rise to criminal confiscation, civil recovery and taxation of income related to crime. As a result, confiscated and seized assets are generated. Amounts recovered were formerly surrendered to the Consolidated Fund in their entirety, once the proceeds had been delivered to the Agency from the Court or Interim Receivers, as the recoverable amounts are not certain until the point of transfer.

From 1st July, 2005 HM Treasury agreed that total receivers' fees may be deducted from total proceeds of civil recovery cases before they are paid, via the Home Office, to the Consolidated Fund. Any receivers' fees incurred on a civil recovery case which has its final recovery order made by the courts subsequent to the 1st July 2005, have been paid from amounts recovered from confiscated assets. In addition to actual cash received from the proceeds of recovered assets, amounts may also be applied from assets in enforcement. These are assets which are in the process of being liquidated, with sufficiently reliable estimated recoverable amounts.

Any excess of recovered assets over allowable receivers' costs is paid over to the Home Office. As the final amount of receivers fees is not known until the year-end, the Agency finalises the excess payments on a yearly basis, once the accounts have been finalised. A payment on account is paid over, where appropriate, for the other quarters during the year.

From 1st April, 2006 the Agency was able to reclaim a proportion of net proceeds from the Home Office on a quarterly basis, with a share also going to the referring body. The aim of this scheme was to provide an incentive to develop the business of the Agency. Although allowable receivers' fees could be deducted from total proceeds on an aggregate basis, the Agency maintained internal records to ensure that the referring agency would receive the appropriate proportion of the proceeds from the relevant case. In other words, in civil cases, the referring agency received 25% of the residual value once total receivers fees per case had been deducted from the total proceeds of the case.

In accordance with the Financial Reporting Manual, the surplus income generated from these assets (that is not utilised against Receivers' fees) is outside the scope of Resource Accounting, and is surrendered to the Consolidated Fund. The Agency includes a Memorandum Note at Note 29 showing the proceeds received after such asset realisations. The details of confiscation investigations, civil recovery cases and taxation cases, along with estimated recoverable asset values, are published each year in the Agency's Annual Report, available at www.soca.gov.uk.

1.13 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, the Agency discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Government Accounting.

2. Analysis of net resource outturn by section

	2007-08							Estimate	Net total outturn compared with Estimate
	Admin.	Other current	Grants	Gross resource expenditure	A-in-A	NET TOTAL			
	£000	£000	£000	£000	£000	£000			
Request for Resources: Central Government Spending									
Section A: Helping to reduce crime	4,875	19,723	–	24,598	(7,136)	17,462	18,007	545	
Total	4,875	19,723	–	24,598	(7,136)	17,462	18,007	545	

Reconciliation to Operating Cost Statement

Gross Operating Expenditure	24,598		
Operating Income		(7,136)	
Net Operating Cost			17,462

	2006-07							Estimate	Net total outturn compared with Estimate
	Admin.	Other current	Grants	Gross resource expenditure	A-in-A	NET TOTAL			
	£000	£000	£000	£000	£000	£000			
Request for Resources 1: Central Government Spending	3,962	20,965	–	24,927	(11,409)	13,518	15,553	2,035	
Total	3,962	20,965	–	24,927	(11,409)	13,518	15,553	2,035	

Reconciliation to Operating Cost Statement

Gross Operating Expenditure	24,927		
Operating Income		(11,409)	
Net Operating Cost			13,518

3. Reconciliation of outturn to net operating cost and against Administration Budget**3(a) Reconciliation of net resource outturn to net operating cost**

			2007-08	2006-07
	Note	Outturn	Supply Estimate with Estimate	Outturn
		<u>£000</u>	<u>£000</u>	<u>£000</u>
Net Resource Outturn	2	17,462	18,007	545
Prior Period Adjustments		-	-	-
Non-supply income (CFERs)	6	-	-	-
Non-supply Expenditure		-	-	-
Net operating cost		<u>17,462</u>	<u>18,007</u>	<u>545</u>
				<u>13,518</u>

Net operating cost is the total of expenditure and income appearing in the operating cost statement. Net resource outturn is the total of those elements of expenditure and income that are subject to parliamentary approval and included in the Agency's Supply Estimate. The outturn against the Estimate is shown in the summary of resource outturn

3(b) Outturn against final Administration Budget

	Budget	2007-08	2006-07
	<u>£000</u>	Outturn <u>£000</u>	Outturn <u>£000</u>
Gross Administration Budget	4,993	4,875	3,962
Income allowable against the Administration Budget	(250)	(158)	(73)
Net outturn against final Administration Budget	<u>4,743</u>	<u>4,717</u>	<u>3,889</u>

4. Reconciliation of resources to cash requirement

	Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate saving/excess £000
Resource Outturn		18,007	17,462	545
Capital:				
Acquisition of fixed assets	10,11	150	39	111
Investments		-	-	-
Non-operating A in A				
Proceeds of fixed asset disposals		-	-	-
Accrual Adjustments:				
Non-cash items				
Cost of Capital Charges	8,9	30	169	(139)
Depreciation of fixed assets	10,11	(419)	(504)	85
Other non-cash items	8,9	(81)	(81)	-
Provisions	16	-	(373)	373
Changes in creditors falling due after more than one year		-	-	-
Changes in working capital other than cash	12	3,100	(1,054)	4,154
Net Cash Requirement (Schedule 4)		20,787	15,658	5,129

* See "Management Commentary" on Page 5 for explanation of significant variances.

5. Analysis of Income Payable to the Consolidated Fund

The Agency has no income which is payable to the Consolidated Fund.

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

	2007-08	2006-07
	£000	£000
Bank interest	(158)	(73)
Recovered assets applied against receivers' fees	(4,732)	(7,844)
Incentivisation income	(531)	(2,029)
RART income (See Note 7)	(180)	(300)
RAIF income (See Note 30)	(548)	(686)
Income from EU	(141)	-
Costs awarded	(62)	-
Training income	(784)	(477)
Gross income	(7,136)	(11,409)
Income authorised to be appropriated-in-aid	7,136	11,409
Operating income payable to the Consolidated Fund	-	-

7. Staff numbers and costs

Staff costs comprise:

	Permanently employed staff	Others	Ministers	Special Advisers	2007-08 Total	2006-07 Total
	£000	£000	£000	£000	£000	£000
Wages & salaries	6,252	1,768	-	-	8,020	7,389
Social security costs	522	-	-	-	522	492
Other pension costs	1,415	-	-	-	1,415	1,136
	8,189	1,768			9,957	9,017
Less recoveries in respect of outward secondments	(180)	-	-	-	(180)	(300)
Total	8,009	1,768	-	-	9,777	8,717

Note, there are exceptional staff costs of £322k included in the above table incurred during 2007-08 exclusively on the merger between ARA and SOCA/NPIA.

The Principal Civil Service Pension Scheme (PCSPS), to which most of the Agency's employees are members, is an unfunded multi-employer defined benefit scheme, but the Assets Recovery Agency is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007 and details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2007-08, normal employer contributions of £1,242,438.90 were payable to the PCSPS (2006-07 £1,138,973.46) at one of four rates in the range 17.1 to 25.5 percent of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation.

Employees joining the Agency can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £15,809.16 were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay.

The average number of whole-time equivalent persons was as follows:

Objective	Permanently employed staff	Others	Ministers	Special Advisers	2007-08 Total	2006-07 Total
	£000	£000	£000	£000	£000	£000
Objective 1:	164	30	-	-	194	184
Objective 2:	21	5	-	-	26	22
Staff engaged on capital projects	-	-	-	-	-	-
Total	185	35	-	-	220	206

Objective 1: to reduce crime by recovering the proceeds of crime through criminal confiscation, civil recovery and taxation.

Objective 2: to promote the use of financial investigation as an integral part of criminal investigation through training and continuing professional development.

8. Other administration costs

	2007-08 £000	2006-07 £000
Rentals under operating leases:		
Hire of plant and machines	24	23
Other operating leases	2,710	2,337
Non cash items:		
Depreciation of fixed assets	-	-
Cost of capital charge	(219)	(206)
Auditors' remuneration and expenses	81	81
Other expenditure:		
Travel and Subsistence	96	54
Staff Training	63	32
Recruitment, etc	274	108
Specialists' Fees	41	11
Accommodation	126	236
IT & Communications	181	135
Printing & Stationery	155	127
Publicity & Advertising	90	103
Consultancy	104	4
Total	3,726	3,045

Note 1: No payments were made to the Auditors as these fees were notional.

Note 2: There are exceptional administration costs of £186k included in the above table incurred during 2007-08 exclusively on the merger between ARA and SOCA/NPIA. See Operating Costs Statement on Page 27 for split between salary and other costs.

9. Other programme costs

	2007-08 £000	2006-07 £000
Rentals under operating leases:		
Hire of plant and machines	73	138
Other operating leases	-	-
Non cash items:		
Depreciation of fixed assets	504	418
Devaluation of fixed assets	-	44
Cost of capital charge	50	56
Other Expenditure:		
RAIF Communications	554	686
Travel and Subsistence	707	452
Staff Training	648	582
Recruitment, etc	43	8
Specialists' Fees	6,485	9,217
Provisions	348	-
IT & Communications	705	443
Printing & Stationery	231	199
Publicity & Advertising	215	162
Forensic/Financial Investigation costs	208	347
Consultancy	144	113
	10,288	12,209
Total	10,915	12,865

Note 1:

There are exceptional administration costs of £117k included in the above table incurred during 2007-08 exclusively on the merger between ARA and SOCA/NPIA. See Operating Costs Statement on Page 27 for split between salary and other costs.

10. Tangible fixed assets (see also notes 1.2-1.5)

	IT & Comms Equipment	Building Enhance- ments	Security Equipment	Office Furniture	Office Equipment	Total
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
at 1 April 2007	1,052	995	345	108	138	2,638
additions	-	-	39	-	-	39
disposals	-	-	-	-	-	-
transfers	-	-	-	-	-	-
Revaluations*	-	-	-	-	-	-
At 31 March 2008	1,052	995	384	108	138	2,677
Depreciation						
At 1 April 2007	(504)	(376)	(72)	(36)	(70)	(1,058)
Charged in year*	(331)	(86)	(40)	(11)	(25)	(493)
disposals	-	-	-	-	-	-
revaluation	-	-	-	-	-	-
At 31 March 2008	(835)	(462)	(112)	(47)	(95)	(1,551)
Net book value						
At 31 March 2008	217	533	272	61	43	1,126
Net book value						
At 31 March 2007	548	619	273	72	68	1,580

*Buildings, IT and Office furniture were not revalued on the basis of HM Treasury indices for March 2008 due to the immateriality of the adjustments. A full review of the Agency's asset base was performed prior to year-end, to ensure correct transfer of assets to SOCA and NPIA.

11. Intangible fixed assets (see also notes 1.2-1.5)

Intangible fixed assets comprise software licences exclusively.

	2007-2008	2006-2007
	£000	£000
Cost or Valuation		
at 1 April 2007	49	51
additions	-	-
disposals	-	-
transfers	-	-
Revaluations*	-	(2)
At 31 March 2008	49	49
Depreciation		
At 1 April 2007	(38)	(17)
Charged in year*	(11)	(23)
disposals	-	-
revaluation	-	2
At 31 March 2008	(49)	(38)
Net book value At 31 March 2008	-	11
Net book value At 31 March 2007	11	36

*Intangible fixed assets were not revalued on the basis of HM Treasury indices for March 2008 due to immateriality.

12. Movements in working capital other than cash

The movements in working capital used in Reconciliation of resources to cash requirement, and the movements in working capital other than cash used in the cash flow statement comprise:

	<u>2007-2008</u>	<u>2006-2007</u>
	<u>£000</u>	<u>£000</u>
Increase/(decrease) in debtors	(2,222)	(386)
Decrease/(Increase) in creditors	1,168	1,379
Other movements in working capital other than cash	-	-
Net increase/(decrease) in working capital other than cash	<u>(1,054)</u>	<u>993</u>

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

	<u>2007-2008</u>	<u>2006-2007</u>
	<u>£000</u>	<u>£000</u>
Amounts falling due within one year:		
Trade Debtors	148	617
VAT	606	485
Other Debtors	35	1,652
Prepayments and accrued income	293	550
	<u>1,082</u>	<u>3,304</u>
Amounts falling due after more than one year:		
Prepayments	-	-
	<u>1,082</u>	<u>3,304</u>

In 2006-07 Other Debtors included £763k for Q4 incentivisation due from the Home Office and also included £835k relating to Assets in Enforcement as at 31st March 2007.

13(b) Intra Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	<u>2007-08</u>	2006-07	<u>2007-08</u>	2006-07
	<u>£000</u>	£000	<u>£000</u>	£000
Balances with other central government bodies	790	1,368	-	-
Balances with local authorities	65	593	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	1	-	-	-
Subtotal-intra-government balances	<u>856</u>	<u>1,961</u>	<u>-</u>	<u>-</u>
Balances with bodies external to government	226	1,343	-	-
At 31st March 2008	<u>1,082</u>	<u>3,304</u>	<u>-</u>	<u>-</u>

14. Cash at Bank and in Hand

	<u>2007-2008</u>	<u>2006-2007</u>
	<u>£000</u>	<u>£000</u>
Balance at 1 April 2007	3,080	77
Net Cash Inflow/(Outflow)	3,272	3,003
Balance at 31 March 2008	<u>6,352</u>	<u>3,080</u>

The following balances at 31 March 2008 are held at:

Office of HM Paymaster General	4,757	1,879
Commercial Bank Account	1,594	1,201
Cash in hand	1	-
	<u>6,352</u>	<u>3,080</u>

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

	<u>2007-2008</u>	<u>2006-2007</u>
	<u>£000</u>	<u>£000</u>
Amounts falling due within one year		
Trade creditors	3,510	1,803
Other creditors	77	118
Accruals and deferred income	681	3,426
Consolidated Fund creditor prior year not deemed supply	-	-
Amounts issued from the Consolidated Fund in 2006-07 but not spent at year-end	1,223	-
Amounts issued from the Consolidated Fund for supply but not spent at year end	5,129	3,080
	<u>10,620</u>	<u>8,427</u>
Amounts falling due after more than one year:		
Other creditors	-	89
	<u>10,620</u>	<u>8,516</u>

The £6,353k Consolidated Fund figure in 2007-08 (£3,080k in 2006-07) is excluded from the movement in working capital calculation (Note 12).

15(b) Intra Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2007-08	2006-07	2007-08	2006-07
	£000	£000	£000	£000
Balances with other central government bodies	7,530	3,753	-	-
Balances with local authorities	216	540	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Subtotal- intra-government balances	7,746	4,293	-	-
Balances with bodies external to government	2,874	4,134	-	89
At 31st March 2008	<u>10,620</u>	<u>8,427</u>	<u>-</u>	<u>89</u>

16. Provisions for liabilities and charges

	Early departure costs	Other	Total
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Balance at 1st April 2007	-	-	-
Provided in the year	193	180	373
Provisions not required written back	-	-	-
Provisions utilised in the year	-	-	-
Unwinding of discount	-	-	-
Balance at 31st March 2008	193	180	373

The early departure costs of £193k relate to the pension package provided to the former Director of the Agency. This cost is payable over the next 8 years. The cashflows have been discounted appropriately.

Other provisions relate to legal fees (£119k) which have been provided to cover any late legal fees, and an equal opportunities claim (61k), which is likely to be paid in early 2008/09.

17. General fund

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

	<u>2007-2008</u>	<u>2006-2007</u>
	<u>£000</u>	<u>£000</u>
Balance at 1st April 2007	(642)	(8,540)
Net parliamentary funding		
Drawn Down	18,930	17,064
Prior year Excess Vote surplus	-	369
Consolidated Fund creditor for cash unspent	(5,129)	(3,080)
Previous year Consolidated Fund creditor for cash spent (deemed supply)	1,857	77
Net financing from the Contingencies Fund	-	-
Non-cash Charges:		
Cost of Capital	(169)	(150)
Provision	-	-
Audit fees	81	81
Prior year Excess Vote	-	7,031
Net Transfer from Operating Activities		
Operating income payable to Consolidated Fund	-	-
Net operating cost	(17,462)	(13,518)
Transfer from Revaluation Reserve	-	24
Transfer from Donated Assets Reserve	-	-
Balance at 31st March 2008	(2,534)	(642)

18. Reserves**18(a) Revaluation Reserve**

	<u>2007-2008</u>	<u>2006-2007</u>
	<u>Revaluation</u>	<u>Revaluation</u>
	<u>Reserve</u>	<u>Reserve</u>
	<u>£000</u>	<u>£000</u>
Balance at 1 April 2007	101	75
Arising on revaluation during the year (tangible)	-	26
Arising on revaluation during the year (intangible)	-	-
Balance at 31 March 2008	101	101

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments.

19. Notes to the Cash Flow Statement**19(a) Reconciliation of operating cost to operating cash flows**

	<u>2007-2008</u>	<u>2006-2007</u>
	<u>£000</u>	<u>£000</u>
Net Operating Cost (Note 3)	17,462	13,518
Adjust for non-cash transactions (Notes 8, 9)	(789)	(349)
Revaluation of fixed assets (Note 9)	-	(44)
Use of Provisions	-	-
Adjust for movements in working capital other than cash:		
Increase in debtors (Note 12)	(2,222)	(386)
(Increase) in creditors (Note 12)	1,168	1,379
Other movements in working capital not relating to cash	-	-
Net cash outflow from operating activities(a)	<u>15,619</u>	<u>14,118</u>

19(b) Analysis of capital expenditure and financial investment

Tangible fixed asset additions (Notes 10)	(39)	(312)
Intangible fixed assets cost and additions (Note 11)	-	-
Net cash outflow from investing activities	<u>(39)</u>	<u>(312)</u>

19(c) Analysis of capital expenditure by Request for Resources

	Capital Expenditure	Loans, etc	A-in-A	Net total
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Request for resources 1	(39)	-	-	(39)
Total 2007-08	<u>(39)</u>	<u>-</u>	<u>-</u>	<u>(39)</u>
Total 2006-07	(312)	-	-	(312)

19 (d) Analysis of financing

From Consolidated Fund (Supply) – current year	18,930	17,064
From Consolidated Fund (Supply) – current year	-	369
Advances from the Contingencies Fund	-	3,000
Repayments to the Contingencies Fund	-	(3,000)
Net financing	<u>18,930</u>	<u>17,433</u>

19 (e) Reconciliation of Net Cash Requirement to (increase)/decrease in cash

Decrease/(Increase) in cash	(3,272)	(3,003)
Net cash flows other than financing	<u>15,658</u>	<u>14,430</u>
Adjustments for payments and receipts not related to supply:		
From the Consolidated Fund Supply – previous year	-	-
Net Cash Requirement (Schedule 1)	<u>15,658</u>	<u>14,430</u>

20. Notes to the Statement of Operating Costs by Departmental Aim and Objectives

Programme grants and other current expenditures have been allocated as follows:

	<u>2007-2008</u>	<u>2006-2007</u>
	<u>£000</u>	<u>£000</u>
Objective 1	16,219	12,271
Objective 2	1,243	1,247
Total	<u>17,462</u>	<u>13,518</u>

Capital Employed By Departmental aim and Objectives at 31st March 2007

	<u>2007-2008</u>	<u>2006-2007</u>
	<u>£000</u>	<u>£000</u>
Objectives 1 and 2	39	312
Total	<u>39</u>	<u>312</u>

21. Capital commitments

	<u>31-Mar-08</u>	<u>31-Mar-07</u>
	<u>£000</u>	<u>£000</u>
Contracted capital commitments at 31 March 2008 for which no provision has been made	-	35

22. Commitments under Leases

At 31 March 2008, the Agency was committed to making the following payments during the next year in respect of operating leases expiring:

	<u>31-Mar-08</u>	<u>31-Mar-07</u>
	<u>£000</u>	<u>£000</u>
Buildings		
Within one year	240	-
Between two and five years	103	2,880
After 5 years	-	103
	<u>343</u>	<u>2,983</u>
Other		
Within one year	119	199
Between two and five years	-	25
After five years	-	-
	<u>119</u>	<u>224</u>

23. Other financial commitments

The Agency has entered into non-cancellable contracts (which are not leases or PFI contracts), for a managed service provision and the supply and maintenance of IT equipment. The payments to which the Agency is committed during 2007-08, analysed by the period during which the commitment expires are as follows:

	<u>31-Mar-08</u>	<u>31-Mar-07</u>
	<u>£000</u>	<u>£000</u>
Expiry within one year	609	147
Between two and five years	74	557
After 5 years	-	-

24. Financial instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the non-trading nature of its activities and the way in which government departments are financed, the Assets Recovery Agency is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Agency has very limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks it faces in undertaking its activities.

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

Liquidity risk

The Agency's net revenue resource requirements are financed by resources voted annually by Parliament, just as its capital expenditure largely is. The Assets Recovery Agency is not therefore exposed to significant liquidity risks.

Interest rate risk

All of the Agency's financial assets and financial liabilities carry a minimal rate of interest, and the Agency is not therefore exposed to any significant interest rate risk.

Foreign currency risk

The Agency's exposure to foreign currency risk is negligible. Foreign currency income is negligible and foreign currency expenditure is not significant. The Agency therefore has no standing policy to eliminate currency exposures on high value transactions.

Fair Value

Set out below is a comparison by category of book values and fair values of the Agency's financial assets and liabilities as at 31 March 2008.

	<u>Book Value</u>	<u>Fair Value</u>
	<u>£000</u>	<u>£000</u>
Primary financial instruments		
Financial assets		
Cash at bank	6,352	6,352

25. Contingent liabilities disclosed under FRS 12

The Agency has indemnified 9 cases in the event where the Respondents or third party claimant in one of the cases comes forward and seeks to litigate a claim or interest in the cash or any part thereof. However, due to the impossibility of quantifying such a claim, and there being no precedents for similar claims, no contingent liability has been raised.

On 1st April 2008 SOCA inherited the Agency's lease for the Belfast office which is due to terminate in August 2013. SOCA Management Board has approved a capital project to relocate the Belfast staff. Consequently, the current Belfast office will cease to be used from April 2009. It is uncertain whether or not SOCA will incur any charges for the remainder of the lease or dilapidations, as intentions are for the a third party to take over the outstanding lease.

There is also an outstanding claim against the Agency for breach of contract regarding an appointment for a role which was subsequently suppressed due to an organisational restructure.

26. Losses and special payments**26(a) Losses**

	<u>2007-2008</u>	<u>2006-2007</u>
	<u>£000</u>	<u>£000</u>
Bad debts written off	–	8
Onerous contract for rental of London Office	240	–

26(b) Special Payments

	<u>2007-2008</u>	<u>2006-2007</u>
	<u>£000</u>	<u>£000</u>
Payment in respect of applicant grievance	14	–

27. Related Party Transactions

The Agency claimed a transfer of funds from the Home Office amounting to £548k during 2007-08. This was related to funding out of the Recovered Assets Incentivisation Fund. Excess Recovered assets were paid over to the Home Office totalling £3,612k. The Home Office is considered to be a related party.

Other central government parties related through transactions are; HM Treasury, HM Revenue & Customs, Home Office Pay and Pensions Services; Northern Ireland Office, Department of Work and Pensions, Department of Finance and Personnel, Lord Chancellor's Department, Home Office, Department of Enterprise, Investment and Development, Office of HM Paymaster General, Land Registry, Department of Trade and Industry, Serious Fraud Office, SOCA, Crown Prosecution Service, Environment Agency, Cabinet Office, Medicines and Healthcare Products Regulatory Agency, the Attorney-General's Office and the Central Office of Information.

Janet Paraskeva was a Non Executive Director of both ARA and SOCA. None of the Board members or key management staff have undertaken any material transactions with the Agency or its related parties during the year.

28. Recovered Assets

The Agency managed a commercial bank account where recovered assets were deposited. Each quarter, the excess over receivers' fees applied was paid over to the Home Office. At the balance sheet date all third party assets had been paid over to the Home Office, except for £2,168k for quarter 4 payments which were paid after year-end. The residual cash balance in the commercial account (see Note 14) related to recovered assets applied against receivers' fees.

		<u>Monetary</u>
		<u>Assets</u>
		<u>£000</u>
Recovered assets receipts during 2007-08		
– Civil	7,006	
– Criminal	1,545	
– Taxation	674	9,225
Recovered assets receipts relating to 2006-07		(835)
Asset recoveries applied against receivers' fees (see Note 29)		(4,732)
Receipts paid to the Home Office during 2007-08		(1,490)
Seized assets as at 31st March 2008		<u>2,168</u>

There were Recovered Assets totalling £9.2m received during 2007-08. However, £835k were applied as assets in enforcement as at 31st March 2007, and were therefore included in the Resource Accounts for 2007-08. The balance of £8,391k is reflected in the figures above. There was £78k held at the balance sheet date for 3rd party amounts paid to the Agency in error. These were subsequently paid to the correct parties.

It was not practical to ascribe monetary values to any other significant assets held at the balance sheet date.

29. Recovered Assets Allowable Against Receivers' Fees

Section 280, Subsection 3 of the amended Proceeds of Crime Act (POCA) enabled the Director 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. This revision applied to all cases where assets were not realised by end June 2005. Receivers' Fees totalling £4,732k were incurred on civil recovery during 2007/08. 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.

	<u>2007-2008</u>
	<u>£000</u>
Total receivers' fees in year	4,732
Assets in enforcement applied	(4,732)
Net receivers' fees in year	<u>–</u>

30. Recovered Assets Incentivisation Fund

The Agency facilitates services requested by the Home Office, in the areas of communications, training and maintenance and development of the Joint Assets Recovery Database (JARD).

The expenditure and associated Home Office "income" are shown in the Resource Accounts in Notes 9 and 6 respectively.

The expenditure incurred through RAIF was as follows for 2007-08.

	<u>2007-2008</u>	<u>2006-2007</u>
	<u>£000</u>	<u>£000</u>
Expenditure during year	554	686
Home Office receipts (A-in-A)	(548)	(686)
Total	<u>6</u>	<u>–</u>

31. Events After the Balance Sheet Date

The date of issue of the Agency's 2007-08 Resource accounts is 16th July 2008. This disclosure is in accordance with FRS 21.

The Agency merged with SOCA and NPIA on 1st April 2008.

William Hughes was appointed as the Accounting Officer with effect from 1st April 2008.



information & publishing solutions

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

Online

www.tsoshop.co.uk

Mail, Telephone Fax & E-Mail

TSO

PO Box 29, Norwich, NR3 1GN

Telephone orders/General enquiries 0870 600 5522

Order through the Parliamentary Hotline Lo-Call 0845 7 023474

Fax orders: 0870 600 5533

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

Textphone: 0870 240 3701

TSO Shops

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

71 Lothian Road, Edinburgh EH3 9AZ

0870 606 5566 Fax 0870 606 5588

The Parliamentary Bookshop

12 Bridge Street, Parliament Square,

London SW1A 2JX

TSO@Blackwell and other Accredited Agents

ISBN 978-0-10-295654-2

