

# **Serious Fraud Office**

## **Resource Accounts**

### **2008-09**

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**(For the year ended 31 March 2009)**

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## Foreword

### Scope

#### Basis of Accounts

These accounts have been prepared in accordance with directions given by HM Treasury to comply with the Government Resources and Accounts Act 2000.

#### Role of the Department

The Serious Fraud Office (SFO) was established by the Criminal Justice Act 1987, following the 1986 Roskill Report. Its role is to investigate and prosecute cases of serious or complex fraud in England, Wales and Northern Ireland and overseas corruption with a UK connection. The SFO is headed by the Director, Richard Alderman, who acts under the superintendence of the Attorney General.

The National Fraud Authority (NFA) was established on 1 October 2008 as the National Fraud Strategic Authority, an executive agency of the Attorney General's Office. In line with the recommendations of the Government's Fraud Review, the NFA will work across the public and private sectors to provide strategic direction and coordination in the fight against fraud. The NFA has been consolidated with the Serious Fraud Office for financial reporting purposes to reflect its funding from the Consolidated Fund being a sub-head within the Request for Resources for the Department.

### AIM OF THE DEPARTMENT

The ultimate aim of the SFO is to be trusted to protect society from serious, complex fraud and corruption. In doing that it aims to:

- reduce the incidence of fraud and its impact on victims
- disable fraud by preventing and disrupting fraudulent operations
- deter fraud thanks to its reputation for successful and timely prosecution
- recover significant assets
- raise the public's confidence in the criminal justice system and
- get satisfaction for victims

#### The Department's approach to achieving this aim

Five core concepts underpin the way the SFO works towards this aim. It is:

- **focused** on serious and complex cases where the SFO can make a difference
- **collaborative** working with national and international agencies to chase down and address serious fraud and corruption
- **proactive** and assesses compliance risks
- **relevant** by keeping up to date on current and potential fraud and corruption issues and
- **supportive** by serving and helping victims, witnesses and whistleblowers who are at the heart of what the SFO does

#### Transformation

2008-09 was a year of great transformation for the SFO. A more modern, flexible organisation with enhanced skills was needed to enable the SFO to meet the challenges of the future. Accordingly a formal Transformation Change Programme was set up during the summer of 2008 and continues still. The SFO structure was reorganised from seven divisions each under the management of an Assistant Director into three domains each led by a Head of Domain. The domains are City, Corporate and Public Funds; Anti-Corruption; and Individual and Investment Fraud. The major difference between the former divisions and the new domains is that the divisions were largely standalone groupings that worked independently while the new domain structure allows for resources to be moved flexibly between them so that the skills and expertise in the SFO are deployed to best effect.

## CORPORATE GOVERNANCE

The SFO's governance arrangements have changed to reflect its transformation. The Director continues to act under the supervision of the Attorney General. He is supported by the Strategic Management Board, the Routine Business Committee and the Transformation Programme Board. The Strategic Management Board and the Transformation Programme Board meet monthly. The Routine Business Committee meets weekly.

Each board or committee has clearly defined terms of reference and membership. The **Strategic Management Board** sets the strategic direction of the SFO and monitors performance and progress at a high level. The **Routine Business Committee** monitors performance and progress in more detail and deals with issues arising. It also incorporates the work of the former Health & Safety, Equality & Diversity and HR subcommittees. The fact that the Routine Business Committee meets weekly allows issues relating to these areas to be addressed sooner. The **Transformation Programme Board** oversees the direction of the 21 projects that currently make up the programme and ensures that they all continue to fit with the SFO's strategic direction.

Each body identifies, reviews and prioritises key risks. The most significant risks are assigned to individual Board members who take ownership and responsibility for them. The principal risks and uncertainties facing the SFO relate to its continuing ability to investigate and prosecute serious or complex fraud and corruption and respond to changing demand and the volatile environment in which it operates. Key areas identified include delivering quality casework; failure to embed equality and diversity consistently across the organisation; the need to deliver the business within budget; recruitment and retention of staff; the loss of confidence among key partners (particularly the police) in the SFO's ability to deliver should the SFO not deliver on its public commitments regarding speed of cases or responsiveness to enquiries; and the need to give due priority to overarching security policies and data protection. Systems for risk management are in place and regular reviews take place at the relevant levels within the organisation.

The **Audit Committee** is a sub-committee of the Strategic Management Board chaired by a non-executive director. It promotes and provides support on key corporate governance issues to the Director and other boards and committees and meets at least five times a year. Internal and external auditors attend each meeting. The Committee has clearly defined terms of reference and has an established work programme. The SFO substantially conforms to the principles of the HM Treasury's Corporate Governance Code for Central Government Departments.

### Company directorships

None of the Strategic Management Board members hold any company directorships or significant interests which may conflict with their senior management responsibilities.

## DEPARTMENTAL ACTIVITIES AND OPERATIONS

The SFO has three operational domains led by a Head of Domain with a number of dedicated Case Managers. The Case Managers are either investigators or lawyers. The nature of the case determines whether a lawyer or an investigator should be in charge of it. Multi-discipline case teams are established, members are allocated according to the skills and expertise the case requires. Cases are reviewed regularly by the Chief Operating Officer, the General Counsel and the Head of Policy and Standards to ensure that they are on track to deliver and still fit with the SFO's aims.

The SFO may deal with any type of complex or serious fraud or overseas corruption. The Enterprise Act 2002 criminalised anti-competitive behaviour by individuals and the SFO shares responsibility with the Office of Fair Trading (OFT) for the conduct of criminal prosecutions under this legislation. The Anti-Terrorism, Crime and Security Act 2001 clarified the law relating to the bribery of foreign officials by UK nationals or companies. The SFO is responsible for the initial review of all allegations received in this area. Where the case falls within the SFO's criteria for taking up cases, it will register it for investigation. If not, the SFO passes the case to the most appropriate law enforcement agency or regulatory body. The SFO has two small specialist units to maintain the register of complaints of suspicion of corruption overseas and an increasing number of applications to restrain the proceeds of crime.

In London the SFO works primarily with the City of London Police (CoLP). This relationship has been strengthened by the establishment of a special CoLP unit for investigating allegations of overseas corruption. A Memorandum of Understanding (MoU) with the Association of Chief Police Officers (ACPO) sets out the agreed

approach to SFO investigations, and who will be responsible for different aspects of the work. Each operational domain has an alignment with police forces in an operational area although all take cases from the Metropolitan and City Police forces.

The SFO is increasingly finding its own cases (such as the enquiries initiated in late 2008/early 2009 following the global financial crisis) in keeping with its proactive ethos. It set up a fraud reporting line and an advertising campaign encouraged whistleblowers to come forward. As a result of these initiatives the number of telephone referrals has increased by 300% over the previous year. Nevertheless cases may still be referred to it by the police, the Department for Business Enterprise and Regulatory Reform (BERR – now named Business, Innovation and Skills with effect from 5 June 2009), another government body or regulator, or sometimes by a liquidator or other statutory office holder. Each case is considered by the Evaluation Referral Team. 2008-09 saw a very significant improvement in the speed with which cases are reviewed. The review of the majority of cases is now completed within a month which represents a considerable improvement on the previous position. The SFO chairs the Fraud Referral Forum (the successor to the former Joint Vetting Committee). This forum is essentially a clearing house for intelligence and case related issues, not a body that monitors the conduct of individual cases.

The SFO has agreed criteria for referring cases where there is mutual interest between the Financial Services Authority (FSA), the SFO, BERR, the police, Crown Prosecution Service (CPS) and their counterparts in Scotland and Northern Ireland. Agreed guidelines provide a framework for dealing with cases where regulatory or administrative penalties rather than criminal prosecution appear more appropriate. The Financial Services and Markets Act 2000 included a number of criminal offences specifically designed to deal with investment fraud as well as administrative penalties for market manipulation. The SFO and FSA continue to work closely together to prevent, deter and punish financial frauds in these areas.

The statutory criteria for accepting cases are interpreted in the light of published criteria agreed by the Law Officers. The key criterion for the SFO to take on a case is that the suspected fraud was such that the direction of the investigation should be in the hands of those who will be responsible for the prosecution.

Though none of the following factors, when taken individually, should be regarded as conclusive, the factors the SFO considers when deciding to take up a case for investigation include:

- the sum at risk is estimated to be at least £1million. This is simply an objective and recognisable mark of seriousness and likely public concern, rather than the main indicator of suitability;
- the case is likely to give rise to national publicity and widespread public concern. Such cases include those involving government departments, public bodies, the governments of other countries and commercial cases of public interest;
- the case requires a highly specialist knowledge of, for example, financial markets and their practices;
- the case has a significant international dimension;
- there is a need for legal, accountancy and investigative skills to be brought together; and
- the suspected fraud appears to be complex and one in which the use of Section 2 powers (Criminal Justice Act 1987) might be appropriate.

### **Working with Overseas Jurisdictions**

The SFO's International Assistance team provides overseas investigations with mutual legal assistance. Last year the team helped 37 countries, the highest figure for five years. The countries assisted cover North and South America, the Caribbean, Africa, Eastern and Western Europe, the Middle East and Australia.

An example of how the SFO is helping overseas authorities is illustrated by the work it is doing to build capability in Uganda. From August to December 2008 SFO investigators helped the Ugandan Department for Public Prosecution investigate and prosecute cases of corruption and fraud relating to the UN Global Fund. The first phase of the work was to give the Ugandan team advice and guidance on planning and prioritising cases. The Ugandans achieved their first conviction in this case on 15 April 2009. The SFO plans to continue to support the Ugandan authorities as they build up their own expertise in this area.

**MANAGEMENT COMMENTARY**

**Going Concern Basis**

The Department’s and Consolidated Balance Sheets at 31 March 2009 show negative Taxpayers’ Equity of £1,775k and £2,630k respectively. This reflects the inclusion of liabilities falling due in future years, which are to be financed by drawings from the UK Consolidated Fund. These drawings will be from grants of Supply approved annually by Parliament, to meet the SFO’s Net Cash Requirement. Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund other than that required for the service of the specified year or more retained than is needed. All unspent monies, including those derived from the SFO’s income, are surrenderable to the Fund.

In common with other government departments, the future financing of the SFO’s liabilities is accordingly to be met by future grants of Supply and the application of future income, both to be approved annually by Parliament. The amounts required for 2009-10 have already been approved and there is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

The consolidated net liabilities of £2,630k at 31 March 2009 compare to net assets of £3,701k as at 31 March 2008. The movement in the net assets position of £6,331k largely reflects the net cash requirement and consequential funding for the year being significantly lower than the net operating costs due to some £5.4m non-cash costs, including depreciation and amortisation of £2,357k, write-offs of £1,392k and provisions for early departure costs of £1,444k. The consolidated balance sheet as at 31 March 2009 includes the following liabilities:

Liabilities payable over a number of years:

- an increase of £1,444k to the provision for future payments associated with the early retirements of individuals in posts no longer required in the new SFO structure; and
- a provision of £640k for the estimated future costs of restoring the leasehold premises to a condition required by the lease obligations.

A liability which does not become payable:

- £2,084k for funds drawn from the Consolidated Fund but not required by reference to the net cash requirement for the year. Such amounts are not normally repaid to the Consolidated Fund and will become deemed funding for 2009-10.

**Accounting Policies**

There were no material changes to accounting policies adopted for the accounting year.

**Reconciliation of Resource Expenditure between Estimate, Accounts and Budget**

	2008-09	2007-08
	£000	£000
<b>Net Resource Outturn (Estimate)</b>	<b>56,325</b>	<b>51,114</b>
<b>Resource Budget (Estimate)</b>	<b>56,325</b>	<b>51,114</b>
Unused Resources	2,402	7,796
<b>Net Resource Outturn</b>	<b>53,923</b>	<b>43,318</b>
Income surrenderable to the Consolidated Fund	-	125
<b>Net Operating Cost (Accounts)</b>	<b>53,923</b>	<b>43,193</b>

**Net Resource Outturn and Net Operating Cost**

The resources available to the SFO are determined by Parliament and published in Estimates.

The increase in both the Net Resource Outturn and Net Operating Cost over the previous year largely represent the costs of establishing the NFA, transformation of the SFO, costs associated with early retirements, depreciation in respect of capital expenditure in both the previous and current year and the write-off of an IT development project due to a change in financial circumstances.



The SFO also benefited in 2008-09 from the receipt of £1,125k following a civil recovery action and cost awards of £245k (2007-08: £150k).

As shown above and in the Statement of Parliamentary Supply on page 22 there has been an overall under-spend of £2,402k against the Estimate of which £1,369k were under-spends by the Core Department and £1,033k by the NFA. Some £747k of the under-spend by the Core Department related to three exceptionally large cases for which additional funding is provided outside the normal financing arrangements for the SFO. The under-spend largely demonstrates the volatility inherent in actual events compared to planning assumptions and mostly reflect activity changes. The under-spend of £1,033k by the NFA is largely attributable to inherent difficulties in planning the first year of operations.

### **Net Cash Requirement**

The net cash requirement of £47,469k for 2008-09 is £10,570k less than the Estimate for the year and £2,901k more than the net cash requirement for 2007-08. The under-spend from the Estimate largely reflects the following:

- an under-spend of £2,402k on the Net Resource Outturn and Net Operating Cost
- an under-spend of £1,808k on capital expenditure
- a higher proportion of non-cash costs including depreciation and the write-off of an asset no longer in use and
- the uncertainty when planning the movements in working capital

The net cash requirement for 2008-09 also includes funding of £1,529k for NFA activities.

### **Data Handling**

The SFO has continued to build on the work it has done following the publication of the Cabinet Office guidance on Reporting of Personal Data Related Incidents which was issued in April 2008. The guidance requires a summary of incidents to be reported to the Information Commissioner's Office and the numbers of incidents recorded by the Department but not required to be reported to be disclosed in the Annual Report and Resource Accounts of the Department. There were two potential security breaches during the year but neither involved the compromise of personal information. The SFO has run a programme of initiatives throughout the year to promote data security. This included the publication of a booklet, articles in the in-house magazine and the issue of promotional material.

### **Investment in the Future**

All current and capital expenditure supports core operational functionality and is planned, as far as possible, to take account of changing circumstances which may affect these operations before they occur. The SFO continues to seek value for money on all procurements and contracts. Given the small size of the SFO, this is most effectively carried out through maximising the use of framework contracts set up by the Office of Government Commerce and continuing partnerships with other public sector organisations that have dedicated resources working in these areas. The SFO is also looking at ways of obtaining better value for money through sharing of common services with the other Law Officers' Departments.

### **Departmental and Annual Reports**

The Departmental Report for 2008-09 contains further information about the SFO that is not shown in these accounts. It includes planned expenditure for 2009-10. The Annual Report is published in accordance with the requirements of Section 1 and Paragraph 3 of Schedule 1 to the Criminal Justice Act 1987. In particular, it contains information on the operational work of the SFO and on recent cases. The 2008-09 Annual Report is published during July 2009.

### **Pensions and Early Departure costs**

Details about the SFO's pensions and early departure policies are included in the notes to these accounts. The pre-funded scheme concluded in 2003-04.

### **Accommodation and facilities**

The refurbishment programme of Elm House continued during the year.

The SFO is committed to contributing towards the Government's sustainable development targets and have ensured that all the electricity used at 200 Gray's Inn Road is obtained from renewable sources. The SFO operates recycling schemes for paper, glass, cans and plastic packaging and additional "green" travel options for staff, supported by additional cycle storage and improved shower facilities.

### **Environmental Declarations**

The SFO is part of the Law Officers' Departments (LODs) which have a number of targets to comply with central government initiatives on sustainability. Within the SFO, energy saving features have been incorporated in upgraded accommodation wherever possible, with proximity lighting installed on all upgraded floors. Further to this dual flush toilets and spray taps minimise water consumption and hand dryers have been included in the design to gradually eliminate the use of paper towels.

### **Derivatives**

Details about the SFO's policies regarding derivatives are included in the notes to these accounts. As at 31 March 2009 the Department did not have any derivatives (31 March 2008: Nil).

### **Disability**

The SFO's Dignity at Work policy emphasises and embraces the importance of treating everyone equally with dignity and respect, irrespective of race, disability, belief or age. Inappropriate behaviour or discrimination is identified as being unlawful and/or unacceptable and the policy offers guidance on what to do if unacceptable behaviour occurs. The average number of disabled staff during the year was 15 (2007-08: 14).

### **Sickness**

The SFO aims to secure the regular attendance of all employees. However, it recognises that from time to time, employees may be unable to attend work due to ill health. Working in partnership with the employees, the SFO aims to find ways to manage sick absences and ensure employees return to work at the earliest possible opportunity. Average sick days per person taken during the year were 11.2 days (2007-08: 15.5 days).

### **Equal Opportunities**

The SFO is committed to treating all applicants fairly and reasonably irrespective of their ethnic or national origin, sex, marital status, sexual orientation, religion or disability. Processes are reviewed regularly to ensure that any indicators of bias are highlighted and tackled. The SFO is similarly committed to treat all its employees fairly.

### **Communication with Employees**

The SFO communicates with its people in a number of ways including:

- face to face meetings – these can be formal question and answer sessions on specific issues (such as the transformation of the SFO) or informal events over coffee where members of staff can air their own issues or any questions with the Director and other senior managers. Specific sessions are arranged for new members of staff;
- the intranet – following the installation of a new, modern system that can be updated easily and quickly, this has become the major tool for written communications. News items are flagged up on the homepage almost daily while a calendar of events (again on the homepage) keeps members of staff up to date with events and important deadlines. Items with less immediate relevance or importance are housed on other pages but feature on a weekly roundup of what has been put on the intranet so that members of staff do not miss them;
- magazine type publications are also issued from time to time but with an eye to "green" issues, the organisation is moving more to electronic publications;

- booklets – are produced for key subjects (e.g. data security, risk management and staff induction material); and
- emergency channels – members of staff have access to an emergency telephone and weblines in the event that the SFO has to invoke its business continuity procedures.

### **Payment of Suppliers**

The SFO's current payment policy is to pay bills in accordance with agreed contractual conditions, or where no such conditions exist, within 30 days of receipt of goods and services or the presentation of a valid invoice, whichever ever is the later. The SFO's payment performance for the period was 82.2%. In October 2008 the public sector target for prompt payment of suppliers was reduced to 10 days. The Department will look to implement measures to work towards achieving this target during 2009-10.

### **Auditors**

The Comptroller and Auditor General is the statutory auditor for the SFO's accounts. The Department's and consolidated notional audit fee for 2008-09 are £72,500 and £97,500 respectively (2007-08: Department £60,000). The notional fee for 2008-09 includes £6,500 in respect of the audit of the restated SFO Balance Sheet as at 1 April 2008 in accordance with International Financial Reporting Standards (IFRS) in preparation for the production of IFRS based shadow Resource Accounts for 2008-09 which will be used for the comparatives in the IFRS based Resource Accounts for 2009-10.

- So far as I am aware, there is no relevant audit information of which the SFO's auditors are unaware, and
- I have taken all the steps that ought to have been taken to make myself aware of any relevant audit information and to establish that the SFO's auditors are aware of that information.

No further assurance or other advisory services were provided by the auditors.

**Richard Alderman**  
**Accounting Officer**  
**3 July 2009**

## REMUNERATION REPORT

### Ministers and Senior Officers

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

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Senior Salaries Review Body.

In reaching its recommendations, the Review Body considers:

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

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

The Director's salary is linked to that of a High Court Judge.

### Remuneration Committee

The Strategic Management Board members' remuneration is determined in accordance with the report of the Senior Salaries Review Body. The SFO's Senior Civil Service (SCS) Pay Committee meets annually to consider pay increases and bonus payments in accordance with the above recommendations. The Committee consists of the Director and Non-Executive Directors.

### At Risk Pay

For grades below the SCS, there are twice yearly merit and annual performance-related bonuses. Bonuses are based on one off projects being completed to quality standards and being delivered on time, and objectives being achieved. Instant bonuses can also be awarded by Heads of Domain to individuals or teams who have completed a task under challenging circumstances. To assess performance, the SFO uses a competency framework consisting of seven multi-level competencies. Each role within the department is measured against the appropriate level of each competency. A formal review of performance is conducted at least once a year. In 2008-09 bonuses for grades below the SCS totalled £242,741 (1.4% of the paybill).

### Service Contracts

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

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended until they reach the normal retiring age of 60. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

The Director of the SFO and Accounting Officer was Robert Wardle until 20 April 2008 and Richard Alderman from 21 April 2008.

### Senior Official Appointments

Richard Alderman was appointed by the Attorney General on a four-year contract that began on 21 April 2008.

**Salary and Pension Entitlements**

This information is subject to audit.

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

Name and title		Salary including performance pay (Fees for Non-Executive Directors)	Real increase in pension and related lump sum at age 60	Total accrued pension at age 60 at 31/03/09 and related lump sum	Cash Equivalent Transfer Value (CETV) (nearest £'000)		
					As at 31/03/08	As at 31/03/09	Real increase in year
		£'000	£'000	£'000	£'000	£'000	£'000
Richard Alderman <b>Director</b> (from 21 April 2008)	2008-09	150-155 (165-170 full year equivalent)	20-22.5 plus 65-67.5 lump sum	72.5-75 plus 215-220 lump sum	1,021	1,564	462
	2007-08	Not applicable					
Phillippa Williamson <b>Chief Operations Officer</b> (from 11 June 2008 – secondee from HMRC)	2008-09	60 -65 (80 – 85 full year equivalent)	2.5-5.0 ***	30-32.5 ***	339	423	59
	2007-08	Not applicable					
Bob Evans <b>Head of Outreach</b> (from 1 October 2008, Head of Resources and Planning until 30 September 2008)	2008-09	110-115	0-2.5 ***	52.5-55 ***	794	873	24
	2007-08	120-125					
Alan Graham <b>Non-Executive Director</b>	2008-09	50-55	*	*	*	*	*
	2007-08	35-40					
Harriett Maunsell OBE <b>Non-Executive Director</b>	2008-09	15-20	*	*	*	*	*
	2007-08	30-35					
Dame Elizabeth Neville QPM <b>Non-Executive Director</b>	2008-09	35-40	*	*	*	*	*
	2007-08	25-30					
Robert Wardle <b>Director</b> (until 20 April 2008)	2008-09	10 - 15 (165 – 170 full year equivalent)	**	60.5-62.5 plus 182.5-185 lump sum	1,329	1,333	**
	2007-08	160-165					
James Kellock <b>Deputy Director</b> (until 31 May 2008)	2008-09	15-20 (95-100 full year equivalent)	0-2.5 plus 0-2.5 lump sum	30-32.5 plus 65-67.5 lump sum	545	553	5
	2007-08	100-105					
Stephen Low <b>Head of Accountancy</b> (until 11 May 2008)	2008-09	10-15 (80-85 full year equivalent)	**	22.5-25 plus 67.5-70 lump sum	419	421	**
	2007-08	90-95					
Vicki O'Keeffe <b>Head of Policy</b> (until 30 June 2008)	2008-09	15-20 (75-80 full year equivalent)	0-2.5 plus 0-2.5 lump sum	15-17.5 plus 50-52.5 lump sum	361	376	2
	2007-08	85-90					

\* Fee paid consultant not in Civil Service Pension Scheme

\*\* No real increase

\*\*\* Member of Premium Scheme - Lump sum not applicable

Due to the changes in organisational structure, details of which are given in the Foreword, the following individuals reported in the equivalent table for 2007-08 do not fall to be reported during 2008-09: Philip Lewis, Helen Garlick, Graham More, Philip Blakebrough, John Benstead, Roddy Gillanders, Ruth Curry and Sarah Goom.

## 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.

The Non-Executive Directors are appointed on a three year renewable contract basis with their remuneration determined by the number of days required for their duties at a rate per diem.

## Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. The benefits in kind available to employees, including the above named senior officials, include health screening services available at the request and discretion of the employee. It is impracticable to determine the amounts involved for each employee or for the group as a whole.

## Details of Compensation Payable to former Senior Managers

This information is subject to audit.

The following former senior managers left the SFO during 2008-09 under compulsory early retirement terms. They received immediate payment of their pension and, as set out below, an associated lump sum plus a compensation payment. In addition, as set out below, the SFO incurred the costs of the entitlement to an enhanced pension and the costs of the accrued lump sum.

	Former position	Date of leaving	Compensation payment	Cost to the SFO of enhanced pension and accrued lump sum
			£'000	£'000
Robert Wardle	Director	20 April 2008	80 - 85	20-25 lump sum
James Kellock	Deputy Director	31 August 2008	140 - 145	nil
Stephen Low	Head of Accountancy	31 March 2009	60 - 65	85 - 90 plus 5-10 lump sum
Vicki O'Keeffe	Head of Policy	30 June 2008	70 - 75	nil
Helen Garlick	Assistant Director	31 July 2008	85 - 90	60 -65 plus 0 - 5 lump sum
Graham More	Assistant Director	31 March 2009	60 - 65	90 - 95 plus 5 - 10 lump sum

James Kellock, Vicki O'Keeffe and Helen Garlick each entered into a Compromise Agreement with the SFO on the cessation of their employment with the SFO.

Philip Blakebrough (former Assistant Director) left the SFO on 30 May 2008 under compulsory early severance terms with compensation of £265k - 270k.

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

This information is subject to audit.

The Strategic Management Board engaged the services of the following interim senior managers to assist in the implementation of the transformation process:

	Position	Cost to the SFO £'000
Linda Thorpe (from 6 May 2008)	Chief People Officer	250-255
Stephen Bogira (from 28 October 2008)	Chief Finance Officer	110-115
Jarrold Haggerty (from 1 December 2008)	Chief Information Officer	50-55

Subsequent to the year end the above individuals completed their work with the SFO.

### Civil Service Pensions

Pension benefits are provided through Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail Prices Index (RPI). New entrants from October 2002 may choose either the appropriate defined benefit arrangement or 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, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final 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. Classic plus is essentially a hybrid, in respect of service before 1 October 2002 calculated broadly in the same way as for classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may choose to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution).

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

### Cash Equivalent Transfer Values (CETV)

A 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 include the value of any pension



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

**Real Increase in CETV**

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

**Partnership Pensions**

None of the Senior Management team participate in partnership pension arrangements (see note 8).

**Richard Alderman**  
**Accounting Officer**  
**3 July 2009**

## Statement of Accounting Officer's Responsibilities

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

## Statement on Internal Control

### Scope of Responsibility

This statement is given in respect of the Resource Accounts for the SFO for the year ended 31 March 2009.

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

2008-09 was a year of great transformation for the SFO. A very important part of this were the changes we made to our structure. As a result I am supported in managing the SFO and its key risks by my senior management team through the corporate governance arrangements as explained in the Foreword. As part of those arrangements the SFO Strategic Management Board meets monthly to discuss strategic matters and oversee performance.

The transformation is ongoing and so continues to be governed through the Transformation Programme Board (chaired by the Chief Operating Officer) which meets monthly. The day to day management of the programme is handled by the Programme Management Office.

The operational side of the SFO's work is divided into three 'domains' each under the leadership of a member of the Senior Civil Service. These 'Heads of Domain' meet weekly to discuss operational performance. Together with other senior managers, they also form the Routine Business Committee which meets weekly to discuss overarching SFO matters.

I meet the Attorney General at least monthly to discuss progress and key risks and issues.

I am also the Principal Accounting Officer for the NFA, established in October 2008. I have delegated the role of Agency Accounting Officer to the Chief Executive Officer of the organisation with whom I regularly liaise. It should be noted, however, that the NFA's budget, although from the same vote, is monitored separately from the SFO's and kept quite distinct.

### The purpose of the system of internal control

The system of internal control is designed to identify and manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aim and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aim and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the SFO for the year ended 31 March 2009 and up to the date of approval of the Foreword to the accounts, and accords with Treasury guidance.

### Capacity to Handle Risk

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

### Cabinet Office rules for information assurance

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

During 2008-09 all laptops, PDAs and other devices which are taken out of the office were encrypted and all IT equipment has its data ports disabled to prevent unauthorised copying of data. Case managers fulfil the role of Information Asset Owners and are responsible for ensuring that case material is suitably protected at all times. There is a system to provide exemptions if unencrypted data needs to be taken off the premises and this has been invoked on 3 occasions in the past year, primarily when large data volumes needed to be transferred to court and encryption was not technically feasible.

Two potential security breaches were reported to Cabinet Office but were subsequently shown not to have involved any compromise of personal information. The ISO 27001 audit identified a major non-conformity in the handling of case material inside the office and measures have now been taken to enforce a clear desk policy. All staff will also take the on-line "Protecting Information Level 1" course at the National School of Government.

## **Data Handling**

The SFO has successfully retained its ISO 27001 Security Management accreditation through the regular audit process and encryption software has been installed on all laptops. The SFO continues to work closely with other Government departments to develop and improve our security procedures. There has been a programme of internal initiatives to raise the importance of data security. This has included a series of presentations to staff from our Data Security and Risk Manager; a data security booklet given out to all members of staff; the distribution of other promotional material and a series of articles in our in-house magazine.

## **The Risk and Control Framework**

### *Risk Management*

Risk management forms part of the operating environment of the SFO. There is a risk management strategy which is reviewed periodically. Each executive Board member has responsibility for risk and mitigation in their respective areas of responsibility as well as corporately. The risk register is reviewed quarterly, and risk assessment is part of project methodology employed by project sponsors and managers in their plans.

The Audit Committee reviews the risk strategy and the risk register as a standing agenda item, and receives reports on the effectiveness of risk management processes and systems.

Risk is inherent in the operational aspects of SFO's business, particularly in the prosecution of cases. A staff guide to risk management has been distributed. Considerable management effort is applied at case level to assessing the risk factors – particularly financial – in embarking upon prosecution, balancing those factors with the need to pursue cases in the public interest. These assessments are reviewed on a quarterly basis as part of a regular programme of case reviews chaired by the Chief Operating Officer and the Head of Policy and Assurance.

### *Control Environment*

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. The main elements of the Department's control framework include:

- a clearly defined 'Statement of Accounting Officer's Responsibilities' (which forms part of these Resource Accounts);
- a Strategic Management Board with clear terms of reference and a defined membership, including three independent non-executive members, which meets regularly to consider the strategic and operational direction of the SFO;
- a Transformation Programme Board which meets monthly to oversee the strategic aims and delivery of our Transformation Programme. It is chaired by the Chief Operating Officer and membership also includes a non-executive Director;
- a Routine Business Committee which comprises all senior managers. Its function is to review and monitor the overall progress of the SFO;
- an Audit Committee chaired by a non-executive director which meets at least five times a year. The membership of the Committee comprises three non-executive directors and one Head of Domain and is directly supported by key personnel;

- a bought-in internal audit service is provided by HM Revenue and Customs. They conduct an annual programme of specific reviews drawn up on a risk analysis basis, agreed by the Audit Committee and the Management Boards;
- during 2008-09 in addition to an agreed annual programme of reviews I have proactively tasked our auditors to carry out specific reviews in key area such as Finance;
- a detailed guide on standards of behaviour and conduct which is contained in the staff manual, including a clear corporate policy to combat fraud;
- an Operational Manual (which is being updated to make it more accessible) which covers all casework processes, procedures and best practice, supported by a monthly case reporting process and quality assurance checks;
- a clear structure of delegated responsibility. All job roles have been reviewed and responsibilities defined; and
- a framework of financial regularity and propriety supported by a Finance Manual which has been reviewed, rewritten and re-issued to provide clear financial policies and protocols.

### *Control Activities*

The SFO has established a framework of procedures covering all aspects of the conduct of business including:

- formal business planning process involving all senior managers and covering planned outcomes and budgeting;
- annual budgets for each functional area, which are examined, challenged and agreed by the boards and committees;
- regular reviews by the Routine Business Committee of in-year expenditure against the budgets and forecasts;
- processes to identify resource commitments against plans;
- setting targets to measure achievement of objectives supported by regular case monitoring; and
- the application of formal project management disciplines, as appropriate.

### *Significant internal control problems*

There were significant issues for the SFO during the year arising from the unsatisfactory method by which the SFO has been financed over the years and the capability of our existing finance team.

During 2008-09 our finance consisted of DEL funding for some 55% of the anticipated expenditure, blockbuster funding provided by the Treasury from the reserve for some very large cases and End of Year Flexibility (EYF) for the remaining anticipated expenditure. On taking up the position of Director on 21 April 2008, I made it clear that this was an unacceptable way of financing the SFO and that a better way of funding the SFO for 2009-10 onwards needed to be found.

At the beginning of 2008-09 the position was further complicated by the fact that, although the DEL figure had been agreed before the year started, blockbuster and EYF were still being discussed with the Treasury and had not been agreed. This was what had happened in previous years as well and the SFO in those years had negotiated the additional amounts during the year. At the start of each year therefore the position for the SFO had been that there was no agreed overall budget. What the SFO did in those earlier years was to proceed on the basis of provisional allocations internally so that internal budget holders knew how much they had available. Control at senior level was maintained by the Director of Resources and Planning in the SFO and he made reports to the Senior Management Board each month. As the new Director of the SFO, I decided that we would need to proceed on that basis again while we discussed a more satisfactory basis for financing the SFO for subsequent years.

As a result of the changes brought about by incoming new management, more demands were placed on the internal finance team. This flagged up some capability issues. As the new Director I therefore decided to bring in very senior full time skills at Chief Finance Officer level with a brief to put the financing methodology on a secure footing for future years, and to work with the team to ensure the accuracy of data. In addition I

asked Internal Audit to carry out a full review to ensure all problems were identified. This led to a substantial body of work.

Negotiations about the budget continued during the first part of the year. Access to the additional funding required, including EYF, was not granted by H M Treasury until the submission of the Spring Supplementary Estimate (SSE) which meant the SFO had to apply for a loan from the Contingency Fund until Parliament had approved the additional funding requested within the SSE.

Although the budget position was very difficult in 2008-09 budget holders worked on the basis of provisional allocations. The overall position was monitored each month by the Senior Management Board. No instances have been detected of a breakdown of control such that public monies were improperly applied. Furthermore the SFO's intention in 2008-09 has always been to produce a balanced budget and it has done so.

#### *Review of effectiveness*

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the SFO who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letters and other reports.

I have been advised on the implications of the result of my review of the effectiveness of the systems of internal control by the Board, Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

#### *Measures in place in the SFO include:*

- regular reports by the internal auditors in line with the Government Internal Audit Standards, which include the Head of Internal Audit's assurance on the overall adequacy and effectiveness of the SFO's processes and systems for risk management, control and governance, together with any recommendations for improvement;
- regular reports which are distributed to members of the Management Boards, on operational, financial, staffing and IT issues and performance;
- improved business and strategic planning processes;
- improved data security procedures and supporting communications;
- periodic reports from the chair of the Audit Committee to myself and to the Management Boards; and
- advice on the effectiveness of the system of internal control by the Boards, Audit Committee and senior managers. Areas for improvement have been identified and recommendations made accordingly. This does not detract however from the significant improvement that has been made in the area of budgets. Our 2009-10 budget has been agreed in advance. I have received a reasonable assurance on risk management, control and governance in the SFO from the Internal Audit Annual Report for 2008-09.

**Richard Alderman**  
**Accounting Officer**  
**3 July 2009**

**Serious Fraud Office****THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS**

I certify that I have audited the financial statements of the Serious Fraud Office for the year ended 31 March 2009 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 Net Operating Costs by Departmental Strategic 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, the Aim of the Department, Corporate Governance, Company Directorships, Departmental Activities and Operations, included in the Foreword, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

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

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

***Basis of audit opinions***

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

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

which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

### ***Opinions***

- In my opinion:
- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2009, and the net cash requirement, net resource outturn, net operating cost, net operating costs applied to departmental strategic 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, the Aim of the Department, Corporate Governance, Company Directorships, Departmental Activities and Operations, included within the Foreword, is consistent with the financial statements.

### ***Opinion on Regularity***

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

### ***Report***

I have no observations to make on these financial statements.

*Amyas C E Morse*

*Comptroller and Auditor General*

*National Audit Office*

*151 Buckingham Palace Road*

*Victoria*

*London*

*SW1W 9SS*

*9 July 2009*



## Statement of Parliamentary Supply

Summary of Resource Outturn  
for the year ended 31 March 2009

Request for Resources	Note	Estimate			Outturn			2008-09	2007-08
		Gross Expenditure	A-in-A	Net Total	Gross Expenditure	A-in-A	Net Total	£000	£000
									Net Total Outturn compared with Estimate: saving/ (excess)
1 Reducing fraud and the cost of fraud and delivering justice and the rule of law	2	57,895	(1,570)	56,325	55,419	(1,496)	53,923	2,402	43,318
<b>Total Resources</b>		<b>57,895</b>	<b>(1,570)</b>	<b>56,325</b>	<b>55,419</b>	<b>(1,496)</b>	<b>53,923</b>	<b>2,402</b>	<b>43,318</b>
<b>Non-operating cost A-in-A</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Net Cash Requirement

for the year ended 31 March 2009

	Note	Estimate	Outturn	2008-09	2007-08
				£000	£000
				Net Total Outturn compared with Estimate: saving/ (excess)	Outturn
<b>Net Cash Requirement</b>	4	<b>58,039</b>	<b>47,469</b>	<b>10,570</b>	<b>44,568</b>

## Consolidated Summary of the income payable to the Consolidated Fund

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

Note	Income	Forecast 2008-09		Outturn 2008-09	
		Receipts		Receipts	
		£000	£000	£000	£000
SFO – Core Department	-	-	-	-	-
NFA	-	-	-	-	-
<b>Total</b>	5	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

The notes on pages 28 to 48 form part of these accounts

### Consolidated Operating Cost Statement

for the year ended 31 March 2009

		2008-09			2007-08			
		£000			£000			
		Core Department			Consolidated			Core Department
Note	Staff Costs	Other Costs	Income	Staff Costs	Other Costs	Income	Total (Restated)	
<b>Programme Costs</b>								
	Staff Costs	23,640		25,098			18,460	
	Other Administration Costs		17,374		18,310		11,318	
	Direct Case Costs		12,011		12,011		13,748	
	Programme Income		(1,496)			(1,496)	(333)	
	<b>Totals</b>	<b>23,640</b>	<b>29,385</b>	<b>(1,496)</b>	<b>25,098</b>	<b>30,321</b>	<b>(1,496)</b>	<b>43,193</b>
	<b>Net Operating Cost</b>					<b>53,923</b>	<b>43,193</b>	
			<b>51,529</b>					

With effect from 1 April 2008 all operating costs are classified as programme. The amounts disclosed for 2007-08 have therefore been restated to correspond with the classification of costs for 2008-09 (Note 1.9).

### Consolidated Statement of Recognised Gains and Losses

for the year ended 31 March 2009

		2008-09		2007-08
		£000		£000
		Core Department	Consolidated	Core Department
	Net gain/(loss) on revaluation of tangible fixed assets	-	-	-
	<b>Recognised gains and (losses) for the financial year</b>	<b>-</b>	<b>-</b>	<b>-</b>

The notes on pages 28 to 48 form part of these accounts

## Consolidated Balance Sheet

as at 31 March 2009

		2008-09	2007-08
		£000	£000
Note	Core Department	Consolidated	Core Department
<b>Fixed Assets:</b>			
Tangible assets	13	5,485	5,513
Intangible assets	14	658	658
		<b>6,143</b>	<b>6,171</b>
<b>Debtors falling due after more than one year</b>	<b>15</b>	<b>12</b>	<b>12</b>
			<b>14</b>
<b>Current Assets:</b>			
Debtors	15	1,590	1,590
Cash at bank and in hand	16	2,085	2,085
		<b>3,675</b>	<b>3,675</b>
<b>Creditors (Amounts falling due within one year)</b>	<b>17</b>	<b>(8,913)</b>	<b>(9,796)</b>
<b>Net Current Assets / (Liabilities)</b>		<b>(5,238)</b>	<b>(6,121)</b>
<b>Total Assets less Current Liabilities</b>		<b>917</b>	<b>62</b>
Provisions for Liabilities and Charges	18	(2,692)	(2,692)
		<b>(1,775)</b>	<b>(2,630)</b>
<b>Taxpayers' Equity:</b>			
General fund	19	(1,781)	(1,781)
Revaluation reserve	20	6	6
		<b>(1,775)</b>	<b>(2,630)</b>
		<b>(1,775)</b>	<b>(2,630)</b>
			<b>3,701</b>

Richard Alderman  
Accounting Officer  
3 July 2009

The notes on pages 28 to 48 form part of these accounts

## Consolidated Cash Flow Statement

for the year ended 31 March 2009

		2008-09	2007-08
		£000	£000
	Note	Core Department Consolidated	Core Department
Net cash outflow from operating activities	21a	(44,076)	(40,292)
Capital expenditure and financial investment	21b 21c	(1,864)	(4,223)
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		-	-
Payment of amounts due to the Consolidated Fund		(52)	(326)
Financing from the Consolidated Fund	21d	49,000	44,500
Financing to NFA		(1,529)	-
<b>Increase/(Decrease) in cash in the period</b>	<b>21e</b>	<b>1,479</b>	<b>(341)</b>

The notes on pages 28 to 48 form part of these accounts

## Consolidated Statement of Net Operating Costs by Departmental Strategic Objectives

for the year ended 31 March 2009

The strategic aim of the SFO is to contribute to:

- reducing fraud and the cost of fraud;
- the delivery of justice and the rule of law; and
- maintaining confidence in the UK's business and financial institutions.

The strategic aims of the NFA are:

- to build an understanding of fraud to enhance action against it;
- to ensure that counter-fraud activity is targeted to best effect;
- to manage the UK's national fraud strategy;
- to promote an anti-fraud culture in the UK; and
- to join operations and policy together so that the UK learns the lessons of what works and what doesn't.

The objectives of the SFO and NFA are as follows:

		2008-09			2007-08		
		£000			£000		
		Gross	Income	Net	Gross	Income	Net
<b>SFO - Core Department</b>							
To take on appropriate cases and:							
1.	Investigate cases and bring them to a successful conclusion as quickly as individual circumstances allow.	41,242	-	41,242	31,774	-	31,774
2.	When a decision to prosecute is made, to prosecute fairly and in a way that enables the jury to understand the issues.	11,783	(1,496)	10,287	11,752	(333)	11,419
<b>Total Core Department</b>		<b>53,025</b>	<b>(1,496)</b>	<b>51,529</b>	<b>43,526</b>	<b>(333)</b>	<b>43,193</b>
<b>NFA</b>							
1.	To achieve all of the above strategic aims.	2,394	-	2,394			
<b>Consolidated</b>		<b>55,419</b>	<b>(1,496)</b>	<b>53,923</b>			

The gross operating costs of the SFO have been apportioned according to the average number of cases being investigated and prosecuted during the year. At 31 March 2009 there were 57 cases under investigation (31 March 2008: 48) and 12 cases under prosecution (31 March 2008: 18).

Income relating to restraint and confiscation and income in respect of costs awarded to the SFO have been off-set against prosecution costs only.

See Note 22

The notes on pages 28 to 48 form part of these accounts

## Notes to the Departmental Consolidated Resource Accounts

### 1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2008-09 *Government Financial Reporting Manual (FRM)* issued by HM Treasury. The accounting policies contained in the *FRM* follow UK generally accepted accounting practice for companies (UK GAAP) to the extent it is meaningful to the public sector context.

In addition to the primary statements prepared under UK GAAP, the *FRM* 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 *Consolidated Statement of Operating Cost by Departmental Aim and Objectives* and supporting notes analyse the Department's income and expenditure by the objectives agreed with Ministers.

Where the *FRM* 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 particular accounting policies adopted by the Department are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

#### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets.

#### 1.2 Basis of consolidation

These accounts comprise a consolidation of the Department and the National Fraud Authority (NFA), established on 1 October 2008 as an executive agency of the Attorney General's Office, then called the National Fraud Strategic Authority. The NFA has been consolidated with the Serious Fraud Office for financial reporting purposes to reflect its funding from the Consolidated Fund being a sub-head within the Request for Resources for the Department.

Transactions and balances between the Department and the NFA included in the consolidation are eliminated.

#### 1.3 Tangible Fixed Assets and Intangible Fixed Assets

The Department does not own any freehold land and buildings.

Assets are capitalised as fixed assets if they are intended for use on a continuing basis and their original purchase cost, on an individual basis is £2,000 or more. For IT expenditure the £2,000 threshold is applied to assets on a grouped basis.

Fixed assets are carried at value in existing use. Where the impact of revaluation indexation is considered not to be material, the depreciated value is used as a proxy for current valuation as permitted under HM Treasury rules.

#### 1.4 Revaluation Reserve

The unrealised element of the Revaluation Reserve is disclosed in the Balance Sheet. Realised elements are transferred from the reserve to the General Fund. Downward revaluations are only charged to existing balances brought forward for that particular class of asset. If there is no previous balance, the charge is expensed in-year and disclosed in the Operating Cost Statement.

#### 1.5 Depreciation and Amortisation

Depreciation and amortisation are provided on a straight line basis at rates calculated to write off the valuation of fixed assets, less the estimated residual value, over their estimated useful lives. The useful lives and residual values of fixed assets are reviewed annually with any revisions to those estimates accounted for prospectively.

Improvements to leasehold property	Over the unexpired term of the lease
IT Development Projects in use, Computer Equipment and Motor Vehicle	5 years
Furniture and fittings	10 years
Intangible Assets	5 years

Assets under construction are not depreciated until they are in use.

### 1.6 *Costs awarded to the SFO*

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

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

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

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

### 1.7 *Costs awarded against the SFO*

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

### 1.8 *Other Income*

Any amounts relating to other income are surrendered to the Consolidated Fund unless HM Treasury has agreed they can be retained.

### 1.9 *Administration and programme expenditure*

The Department is wholly directed towards front line delivery. Accordingly, as part of the Law Officers' Departments' CSR07 settlement HM Treasury agreed that all income and expenditure should be classed as Programme from 2008-09. This agreement is reflected in these accounts and figures for 2007-08 have been reclassified for comparative purposes. In previous years' accounts, income and expenditure have been divided between Administration and Programme categories in accordance with the definition of administration costs set by HM Treasury.



### 1.10 *Capital charge*

A charge, reflecting the cost of capital utilised by the Department, 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); and
  - depreciation of tangible and amortisation of intangible fixed assets.
- b cash balances with the Office of the Paymaster General and amounts due to the Consolidated Fund.

### 1.11 *Foreign Exchange*

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

### 1.12 *Pensions*

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

### 1.13 *Provisions - Early Departure Costs*

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

### 1.14 *Provisions – Other*

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

### 1.15 *Operating leases*

Operating lease rentals are charged to the Operating Cost Statement in equal amounts over the lease term.

1.16 Value Added Tax (VAT)

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

1.17 Third Party Assets

The Department may seize monetary assets. In most cases these funds will be retained by other government agencies or the police. If the Department retains any monetary assets, it invests the sums in an interest bearing account. The principal and the interest earned are held on behalf of the third party and are not a part of the Department's accounts.

1.18 Contingent liabilities

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

Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

2 Analysis of net resource outturn by Section

	Gross Resource Expenditure	A-in-A	Outturn Net Total	Estimate Net Total	2008-09	2007-08
					£000	£000
					Net Total outturn compared with Estimates: saving / (excess)	Outturn Net Total
<b>Request for resources 1:</b>						
<i>Reducing fraud and the cost of fraud and delivering justice and the rule of law</i>						
Section A						
Investigations and prosecutions	53,025	(1,496)	51,529	52,898	1,369	43,318
Section B						
National Fraud Authority	2,394	-	2,394	3,427	1,033	-
<b>Total</b>	<b>55,419</b>	<b>(1,496)</b>	<b>53,923</b>	<b>56,325</b>	<b>2,402</b>	<b>43,318</b>
Resource Outturn			53,923	56,325	2,402	43,318

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

The outturn figure for investigations and prosecutions was lower than expected because of the uncertainty in forecasting expenditure relating to a demand-led environment with the result that case numbers and expenditure/activity on them was lower than planned.

The outturn for the National Fraud Authority was lower than expected due to the inherent uncertainty in the planning associated with a first year of activity.

Further explanations of the variances are given in the Management Commentary within the Foreword.

**3 Reconciliation of outturn to net operating cost**

			2008-09 £000	2007-08 £000
	Note	Outturn	Supply Estimate	Outturn compared with Estimate: saving / (excess)
Net Resource Outturn	2	53,923	56,325	2,402
Non-supply income (CFERs)	5	-	-	(125)
<b>Net operating cost</b>		<b>53,923</b>	<b>56,325</b>	<b>2,402</b>
				<b>43,318</b>
				<b>(125)</b>
				<b>43,193</b>

From 2008-09 all of the SFO’s expenditure is classed as Programme and therefore no reconciliation of outturn against Administration Budget has been prepared (see Note 1.9).

**4 Reconciliation of resources to cash requirement**

				2008-09 £000	2007-08 £000
	Note	Estimate	Outturn	Net total outturn compared with Estimate: saving / (excess)	Outturn
<b>Net Resource Outturn</b>	<b>2</b>	<b>56,325</b>	<b>53,923</b>	<b>2,402</b>	<b>43,318</b>
Capital					
Acquisition of fixed assets	13,14	3,703	1,895	1,808	4,223
Accruals adjustments					
Non-cash items – Other Costs	9	(1,989)	(5,546)	3,557	(2,745)
Non-cash items – Operating leases	9	-	172	(172)	172
Changes in working capital other than cash	21a	-	(3,160)	3,160	(632)
Use of provision	18	-	185	(185)	232
<b>Net cash requirement</b>		<b>58,039</b>	<b>47,469</b>	<b>10,570</b>	<b>44,568</b>

**Explanation of variation between Estimate and Outturn:**

Resource Outturn: see Note 2.

Acquisition of fixed assets: largely reflects timing issues in an IT development project.

Non-cash items: largely caused by an increase in depreciation, the write off of an IT Development Project due to a change in financial circumstances and the increase in the provision required for early departure costs.

Changes in working capital other than cash largely reflect the inherent difficulties in estimating such amounts.

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

**5 Analysis of income payable to the Consolidated Fund**

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

	Forecast 2008-09		Outturn 2008-09	
	Income	<i>Receipts</i>	Income	<i>Receipts</i>
Operating income and receipts – excess A-in-A	-	-	-	-
Other operating income and receipts not classified as A-in-A	-	-	-	-
<b>Sub-total</b>	-	-	-	-
Other amounts collected on behalf of the Consolidated Fund	-	-	-	-
Non-operating income and receipts – excess A-in-A	-	-	-	-
<b>Total income payable to the Consolidated Fund</b>	-	-	-	-

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

	Note	2008-09	2007-08
		£000	£000
Operating income	11	1,496	333
Gross income		1,496	333
Income authorised to be appropriated-in-aid		(1,496)	(208)
<b>Operating income payable to the Consolidated Fund</b>	<b>5</b>	<b>-</b>	<b>125</b>

**7 Non-operating income – Excess A-in-A**

	2008-09	2007-08
	£000	£000
Non-operating income – excess A-in-A	-	-

## 8 Staff costs and average numbers of staff

Staff costs comprise:

			2008-09	2007-08
	Permanently employed staff	Others	£000	£000
			Total	Total
Wages and salaries	14,012	7,680	21,692	15,043
Social security costs	1,034	22	1,056	1,036
Other pension costs	2,451	51	2,502	2,671
<b>Sub Total</b>	<b>17,497</b>	<b>7,753</b>	<b>25,250</b>	<b>18,750</b>
Less recoveries in respect of outward secondments	(152)	-	(152)	(290)
<b>Total net costs, of which none (2007-08: None) has been charged to capital</b>	<b>17,345</b>	<b>7,753</b>	<b>25,098</b>	<b>18,460</b>
<b>Of which:</b>				
Core Department	17,194	6,446	23,640	18,460
NFA	151	1,307	1,458	

Included within the above costs for permanently employed staff are payroll costs of £1,968k associated with staff leaving the SFO under compulsory early departure arrangements.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the SFO is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2008-09, employer's contributions of £2,450,463 were payable to the PCSPS (2007-08: £2,408,306) at one of four rates in the range 17.1 to 25.5 per cent (2007-08: 17.1 to 25.5 per cent) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2005-06 and will remain unchanged for 2008-09. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium, or classic plus); or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail Prices Index (RPI). New entrants from October 2002 may choose either the appropriate defined benefit arrangement or 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, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final 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.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £10,874 (2007-08: £11,790) were paid to two of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent (2007-08: 3 to 12.5 per cent) of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay.

The salary and pension entitlements of the members of the SFO Strategic Management Board for 2008-09 are disclosed in the Remuneration Report.

**Average number of persons employed**

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

Objectives	2008-09			2007-08
	Permanent staff	Others	Total	Total
<b>Core Department</b>				
1 Investigate cases and bring them to a successful conclusion as quickly as individual circumstances allow	237	68	305	274
2 When a decision to prosecute is made, prosecute fairly and in a way that enables the jury to understand the issues.	68	19	87	101
Staff engaged on capital projects	-	-	-	-
<b>Total Core Department</b>	<b>305</b>	<b>87</b>	<b>392</b>	<b>375</b>
<b>NFA – see Consolidated Statement of Operating Costs by Strategic Objectives</b>	<b>2</b>	<b>16</b>	<b>18</b>	
<b>Total</b>	<b>307</b>	<b>103</b>	<b>410</b>	

**9 Other Administration Costs**

Note	Core Department	2008-09		2007-08
		£000	Consolidated	Restated £000
				Core Department
<b>Rentals under operating leases</b>	2,817	2,817		2,698
<b>Non-cash items</b>				
Depreciation 13	2,222	2,225		1,456
Amortisation 14	132	132		148
Cost of Capital Charges	41	26		225
Auditors' remuneration and expenses	72	97		60
Write offs 13, 14	1,392	1,392		637
Amounts provided in year:				
Operating Lease 18	(172)	(172)		(172)
Early Departure Costs	1,444	1,444		89
Doubtful debts	230	230		-
Non cash adjustment	-	-		(42)
	5,361	5,374		2,401
<b>Other expenditure</b>				
General Administration	3,575	3,830		2,760
Consultancy	2,513	3,170		765
Travel and Subsistence	866	873		758
Hospitality	38	42		34
Other accommodation costs	2,204	2,204		1,902
	9,196	10,119		6,219
<b>Total</b>	<b>17,374</b>	<b>18,310</b>		<b>11,318</b>

The write offs largely represent the write off of an IT Development Project due to a change in financial circumstances.

**10 Direct Case Costs**

	<b>2008-09</b>		<b>2007-08</b>
		<b>£000</b>	<b>Restated</b>
	<b>Core Department</b>	<b>Consolidated</b>	<b>Core Department</b>
Counsel costs	4,800	4,800	5,698
Investigating Accountants' costs	3,359	3,359	4,194
Other programme costs	2,756	2,756	2,762
Other programme support costs	1,096	1,096	1,094
<b>Total</b>	<b>12,011</b>	<b>12,011</b>	<b>13,748</b>

**11 Programme Income**

	<b>2008-09</b>		<b>2007-08</b>
		<b>£000</b>	<b>Restated</b>
	<b>Core Department</b>	<b>Consolidated</b>	<b>Core Department</b>
Costs awarded to the SFO	245	245	150
Costs recovered by the SFO	-	-	25
Other Income	1,251	1,251	158
<b>Total</b>	<b>1,496</b>	<b>1,496</b>	<b>333</b>

Other income largely represents amounts paid to the SFO following a civil recovery action.

**12 Analysis of net operating cost by spending body**

	<b>2008-09</b>		<b>2007-08</b>
		<b>£000</b>	<b>Restated</b>
	<b>Estimate</b>	<b>Outturn</b>	<b>£000</b>
			<b>Outturn</b>
Core Department	52,898	51,529	43,193
NFA	3,427	2,394	
<b>Total</b>	<b>56,325</b>	<b>53,923</b>	

**13 Tangible fixed assets**

	Improvements to Leasehold Property £000	IT Projects - In Use £000	Computer Equipment £000	Furniture and Fittings £000	Motor Vehicle £000	IT Development Projects £000	Total £000
<b>Cost or valuation</b>							
At 1 April 2008	2,907	3,598	3,606	744	87	1,291	12,233
Additions	1,083	-	542	29	-	-	1,654
Disposals	-	-	-	-	-	-	-
Write off	-	-	-	-	-	(1,291)	(1,291)
Reclassification	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-
<b>At 31 March 2009</b>	<b>3,990</b>	<b>3,598</b>	<b>4,148</b>	<b>773</b>	<b>87</b>	<b>-</b>	<b>12,596</b>
<b>Depreciation</b>							
At 1 April 2008	262	2,193	2,162	219	22	-	4,858
Charged in year	995	564	576	74	16	-	2,225
Disposals	-	-	-	-	-	-	-
Write off	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-
<b>At 31 March 2009</b>	<b>1,257</b>	<b>2,757</b>	<b>2,738</b>	<b>293</b>	<b>38</b>	<b>-</b>	<b>7,083</b>
<b>Net book value at 31 March 2009</b>	<b>2,733</b>	<b>841</b>	<b>1,410</b>	<b>480</b>	<b>49</b>	<b>-</b>	<b>5,513</b>
<b>Net book value at 31 March 2008</b>	<b>2,645</b>	<b>1,405</b>	<b>1,444</b>	<b>525</b>	<b>65</b>	<b>1,291</b>	<b>7,375</b>

The net book value of fixed assets comprises:

<b>Core Department:</b>	£000	£000	£000	£000	£000	£000	£000
31 March 2009	2,733	841	1,382	480	49	-	5,485
31 March 2008	2,645	1,405	1,444	525	65	1,291	7,375
<b>NFA:</b>							
31 March 2009	-	-	28	-	-	-	28



**Reconciliation of cash flows to tangible fixed asset additions**

	<b>2008-09</b>	
	<b>£000</b>	
	<b>Core Department</b>	<b>Consolidated</b>
Total tangible fixed asset additions for the year ended 31 March 2009	1,623	1,654
Provision for dilapidations	(640)	(640)
	983	1,014
Tangible fixed asset accrual as at 31 March 2008	473	473
Tangible fixed asset accrual as at 31 March 2009	(8)	(8)
<b>Cash flows for tangible fixed assets (Note 21(b))</b>	<b>1,448</b>	<b>1,479</b>

**14 Intangible fixed assets**

	<b>Purchased Software Licences</b>
	<b>£000</b>
<b>Cost or valuation</b>	
At 1 April 2008	877
Additions	402
Disposals	-
Write off	(121)
Revaluation	-
<b>At 31 March 2009</b>	<b>1,158</b>
<b>Amortisation</b>	
At 1 April 2008	388
Charged in year	132
Disposals	-
Write off	(20)
Revaluation	-
<b>At 31 March 2009</b>	<b>500</b>
<b>Net book value at 31 March 2009</b>	<b>658</b>
<b>Net book value at 31 March 2008</b>	<b>489</b>

The net book value of fixed assets comprises:

	<b>£000</b>
<b>Core Department:</b>	
31 March 2009	658
31 March 2008	489
<b>NFA:</b>	
31 March 2009	-

**Reconciliation of cash flows to intangible fixed asset additions**

2008-09

£000

	Core Department	Consolidated
Total intangible fixed asset additions for year ended 31 March 2009	402	402
Intangible fixed asset accrual as at 31 March 2008	14	14
Intangible fixed asset accrual as at 31 March 2009	-	-
<b>Cash flows for intangible fixed assets (Note 21(b))</b>	<b>416</b>	<b>416</b>

**15 Debtors**

**15(a) Analysis by type**

	2008-09 £000		2007-08 £000
Amounts falling due within one year	Core Department	Consolidated	Core Department
VAT debtor	708	708	869
Deposits and advances	111	111	133
Other debtors	100	100	200
Prepayments and accrued income	669	669	727
Costs awarded to the SFO*	322	322	322
Provision for bad and doubtful debt	(320)	(320)	(170)
	<b>1,590</b>	<b>1,590</b>	<b>2,081</b>

\* Included within the costs awarded debtors is the sum of £257k (2007-08: £257k) due to the Consolidated Fund once the debts are collected.

	2008-09 £000		2007-08 £000
Amounts falling due after one year	Core Department	Consolidated	Core Department
Costs awarded to the SFO	12	12	14
	<b>12</b>	<b>12</b>	<b>14</b>

**15(b) Intra-Government Balances**

Consolidated	Amounts falling due within one year		Amounts falling due after more than one year	
	31 March 2009	31 March 2008	31 March 2009	31 March 2008
	£000	£000	£000	£000
Balances with other Central Government bodies	714	1,191	-	-
Balances with bodies external to government	876	890	12	14
<b>Total</b>	<b>1,590</b>	<b>2,081</b>	<b>12</b>	<b>14</b>

**16 Cash at bank and in hand**

Note	2008-09		2007-08
	Core Department	Consolidated	Core Department
		£000	£000
Balance at 1 April	606	606	947
Net change in cash balances	21(e) 1,479	1,479	(341)
<b>Balance at 31 March</b>	<b>2,085</b>	<b>2,085</b>	<b>606</b>
The following balances at 31 March were held at:			
Office of HM Paymaster General	2,085	2,085	586
Commercial banks and cash in hand	-	-	20
<b>Balance at 31 March</b>	<b>2,085</b>	<b>2,085</b>	<b>606</b>

**17 Creditors**  
**17(a) Analysis by type**

	2008-09		2007-08
	Core Department	Consolidated	Core Department
	£000		£000
<b>Amounts falling due within one year:</b>			
Other taxation and social security	317	317	380
Trade creditors	1,342	1,655	1,520
Accruals and deferred income	4,905	5,475	2,396
Pension providers	-	-	254
Fixed Assets accruals	8	8	487
Amounts issued from the Consolidated Fund for supply but not spent at year end	2,084	2,084	553
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:			
Received	-	-	52
Receivable	257	257	257
	<b>8,913</b>	<b>9,796</b>	<b>5,899</b>

**17(b) Intra-Government Balances**

	Amounts falling due within one year		Amounts falling due after one year	
	31 March	31 March	31 March	31 March
	2009	2008	2009	2008
	£000		£000	
Balances with other Central Government bodies	2,784	1,242	-	-
Balances with bodies external to government	7,012	4,657	-	-
<b>Total</b>	<b>9,796</b>	<b>5,899</b>	<b>-</b>	<b>-</b>

**18 Provisions for liabilities and charges**

	<b>Early departure costs</b>	<b>Accommodation - Notional Rent</b>	<b>Leasehold Property Dilapidations</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 April 2008	151	814	-	965
Provided / (Released) in the year	1,444	(172)	640	1,912
Provisions utilised in the year	(185)	-	-	(185)
<b>Balance at 31 March 2009</b>	<b>1,410</b>	<b>642</b>	<b>640</b>	<b>2,692</b>
<b>Of which:</b>				
Core Department	<b>1,410</b>	<b>642</b>	<b>640</b>	<b>2,692</b>
NFA	-	-	-	-
<b>Total</b>	<b>1,410</b>	<b>642</b>	<b>640</b>	<b>2,692</b>

**18.1 Early Departure Costs**

The Department meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Department provides for this in full when the early retirement programme becomes binding on the Department by establishing a provision for the estimated payments, discounted by the Treasury discount rate of 2.2 per cent in real terms when material.

**18.2 Accommodation – Notional Rent**

A lease on a property was signed during 2005 and included a rent free period. The provision for notional rent has been created to reflect the apportionment of the rent free period over the duration of the lease.

**18.3 Leasehold Property Dilapidations**

The obligations under the property leases require the property to be returned to the landlord in an appropriate condition. A provision has, therefore, been established for the estimated costs of restoring the properties from specialised use for SFO purposes to a condition suitable for general purposes.

**19 General Fund**

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

	2008-09		2007-08
	£000		£000
	Core Department	Consolidated	Core Department
<b>Balance at 1 April</b>	<b>3,695</b>	<b>3,695</b>	<b>2,160</b>
Net Parliamentary Funding			
Drawn Down	49,000	49,000	44,500
Deemed	553	553	621
Year end adjustment			
Supply (Creditor)/Debtor – current year	(2,084)	(2,084)	(553)
Financing of NFA	(1,529)	-	-
Net Transfer from Operating Activities			
Net Operating Cost	(51,529)	(53,923)	(43,193)
CFERS repayable to Consolidated Fund	-	-	(25)
Excess A-in-A payable to Consolidated Fund	-	-	(100)
Non Cash Charges			
Cost of Capital	41	26	225
Auditors' remuneration	72	97	60
<b>Balance at 31 March</b>	<b>(1,781)</b>	<b>(2,636)</b>	<b>3,695</b>

**20 Revaluation Reserve**

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

	2008-09		2007-08
	£000		£000
	Core Department	Consolidated	Core Department
<b>Balance at 1 April</b>	<b>6</b>	<b>6</b>	<b>6</b>
Arising on revaluation during the year (net)	-	-	-
Transferred to general fund in respect of realised element of revaluation reserve	-	-	-
<b>Balance at 31 March</b>	<b>6</b>	<b>6</b>	<b>6</b>

**21 Notes to the Cash Flow Statement**

**21(a) Reconciliation of operating cost to operating cash flows**

	Note	2008-09		2007-08
		Core Department	Consolidated	Restated Core Department
		£000		£000
Net operating cost	12	51,529	53,923	43,193
Non-cash transactions – Other Costs	9	(5,361)	(5,374)	(2,401)
Increase/(Decrease) in Debtors		(493)	(493)	285
less movements in debtors relating to items not passing through the OCS		230	230	-
Decrease/(Increase) in Creditors		(3,014)	(3,897)	(797)
less movements in creditors relating to items not passing through the OCS		1,000	1,000	(48)
Use of provisions	18	185	185	60
<b>Net cash outflow from operating activities</b>		<b>44,076</b>	<b>45,574</b>	<b>40,292</b>

**21(b) Analysis of capital expenditure and financial investment**

	Note	2008-09		2007-08
		Core Department	Consolidated	Core Department
		£000		£000
Tangible fixed asset additions	13	1,448	1,479	3,824
Intangible fixed asset additions	14	416	416	399
<b>Net cash outflow from investing activities</b>		<b>1,864</b>	<b>1,895</b>	<b>4,223</b>

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

	<b>Capital Expenditure 2008-09 £000 Consolidated</b>	<b>Capital Expenditure 2007-08 £000 Core Department</b>
Request for resources 1	2,056	4,434
Capitalised cost of provision for dilapidations	(640)	-
Movement in fixed asset accrual	479	(211)
<b>Total</b>	<b>1,895</b>	<b>4,223</b>

**21(d) Analysis of financing**

	<b>31 March 2009 £000 Consolidated</b>	<b>31 March 2008 £000 Core Department</b>
From the Consolidated Fund (Supply) – current year	49,000	44,500
Received from Consolidated Fund in respect of Supply due	-	-
Advances from the Contingencies Fund	10,000	-
Repayments to the Contingencies Fund	(10,000)	-
<b>Net Financing</b>	<b>49,000</b>	<b>44,500</b>

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

	<b>2008-09 £000 Consolidated</b>	<b>2007-08 £000 Core Department</b>
Net cash requirement	(47,469)	(44,568)
From the Consolidated Fund (Supply) – current year	49,000	44,500
From the Consolidated Fund (Supply) – prior year	-	-
Amounts due to the Consolidated Fund – received in a prior year and paid over	(52)	(326)
Amounts due to the Consolidated Fund received and not paid over	-	53
<b>(Decrease)/Increase in cash</b>	<b>1,479</b>	<b>(341)</b>



**22 Notes to the Consolidated Statement of Operating Costs by Departmental Strategic Objectives**

With effect from 1 April 2008 all operating costs are classified as programme. The analysis of this expenditure between objectives is given in the Consolidated Statement of Operating Costs by Departmental Strategic Objectives with the costs of the SFO being apportioned according to the average number of cases being investigated and prosecuted during the year.

Capital is employed in the same proportions as the related programme costs.

**23 Capital commitments**

There was £36k of capital commitments at 31 March 2009 (31 March 2008: Nil).

**24 Commitments under leases**

**24.1 Operating leases**

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

	<b>2008-09</b>	<b>2007-08</b>
	<b>£000</b>	<b>£000</b>
	<b>Consolidated</b>	<b>Core Department</b>
<b>Core Department</b>		
<b>Obligations under operating leases comprise:</b>		
<b>Land and buildings:</b>		
Expiry within 1 year	-	-
Expiry after 1 year but not more than 5 years	1,500	1,500
Expiry thereafter	1,200	1,200
	<b>2,700</b>	<b>2,700</b>
<b>Other:</b>		
Expiry within 1 year	13	8
Expiry after 1 year but not more than 5 years	52	96
Expiry thereafter	-	-
	<b>65</b>	<b>104</b>

**25 Financial Instruments**

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

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

***Interest rate risk***

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

***Currency risk***

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

**26 Contingent liabilities**

In pursuing its normal course of business as the prosecutor in cases of serious fraud, the SFO will from time to time be subject to legal challenge. Legal judgements could give rise to liabilities for legal costs, but these cannot be quantified as the outcome of proceedings would be unknown and there is therefore considerable uncertainty as to the nature and extent of any subsequent liability.

As at 31 March 2009 there were no contingent liabilities requiring disclosure.

**27 Losses and Special payments****27(a) Losses Statement**

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

**27(b) Special Payments**

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

**28 Related-party transactions**

The SFO is a government department with one agency entity, the NFA. None of the board members, key managerial staff or other related parties has undertaken any material transactions with the SFO during the year. The SFO has had a small number of transactions with other government departments and other central government bodies.

**29 Third party assets**

The SFO held no third party monetary or non-monetary assets at 31 March 2009 (31 March 08: Nil).

**30 Entities within the departmental boundary**

As detailed in note 1.2 the NFA is an entity within the departmental boundary of the SFO with effect from 1 October 2008. The Annual Accounts of the NFA are published separately.

**31 Post Balance Sheet Events**

In accordance with the requirements of FRS 21: Events after the Balance Sheet Date, there are no post balance sheet events up to the date the Resource Accounts were authorised for issue. In the public sector context the authorisation date is the same date on which the Resource Accounts were certified by the Comptroller and Auditor General.



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