



**NCA**

National Crime Agency

**National Crime Agency  
Annual Report and Accounts  
2014-15**

# National Crime Agency Annual Report and Accounts 2014–15

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# Foreword by the Home Secretary



When I established the National Crime Agency in October 2013, I was clear that if we were going to get to grips with serious and organised crime we needed a powerful crime fighting body with the right powers and the right structure to do the job. More than eighteen months later the rationale for the National Crime Agency is as strong as ever – as recent events demonstrate.

The allegations about very serious corruption and money laundering at the highest levels of international football. The intolerable ongoing situation in the Mediterranean – and other places – in which criminal groups profit from the misery of other human beings and put many lives at risk. The appalling revelations we have heard about child sexual exploitation and abuse and the scale of that abuse both online and offline. Then there is the increasing sophistication of cyber crime, particularly online fraud and crimes relating to online marketplaces, as well as continued traditional serious and organised crime types such as drugs and firearms supply.

The complexity, scale and impact of serious and organised crime demonstrates just how much we need a national organisation with the right capabilities, powers, structure and international reach. So I am pleased that – thanks to the hard work and dedication of its officers – the NCA has made an impressive start. In the financial year to March 2015, the NCA led and coordinated operational activity resulting in over 900 disruptions against some of the most serious organised criminals and groups, the arrest of nearly 3,400 people in the UK and overseas, and the conviction of 475 people in the UK. It has also resulted in over 238 tonnes of illegal drugs being seized, more than 900 firearms (including 138 guns) retrieved, and assets valued at more than £24 million recovered. The NCA's work has also led to 1,781 children being safeguarded or protected.

But we cannot afford to be complacent. As Home Secretary, I am clear that we must keep up the fight against serious and organised crime.

Over the past year we have strengthened the NCA's powers and put in place new capabilities. This includes new and strengthened provisions in the Serious Crime Act 2015, a specialist NCA and GCHQ Unit to tackle online child sexual exploitation, and the new International Corruption Unit, based within the NCA. Following the agreement of the Northern Ireland Assembly, the NCA has also gained full operational powers in Northern Ireland, thus addressing an important gap in how we tackle serious and organised crime across the UK.

But we must go further. That's why I have committed to introducing new measures that will build on the provisions of the Serious Crime Act 2015. We will take action to tackle those who refuse to pay off confiscation orders. We will allow the police and law enforcement agencies to retain a greater percentage of the assets they recover from organised criminals – meaning they can reap the rewards of their work and reinvest in the fight against crime. And we must look at the way capabilities are currently used to remove duplication and ensure that they are held in the right place, and deployed appropriately.

The NCA is doing well. In the coming year I want to see the NCA keep up its good work and ensure that it achieves ever greater success, brings more perpetrators to justice, and makes sure that no one is beyond the reach of the law.

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

**The Rt. Hon. Theresa May MP**

# Statement by the NCA Director General



At the end of the NCA's first full operational year, we have come a long way, but there is still more to do. This report looks back at what we have delivered over the last twelve months and I would like to place on record my thanks to all NCA officers and partner agencies for these achievements. They should feel proud of what has been collectively achieved in cutting crime and protecting the public.

There has been a shift in the national threat picture this year and we have rebalanced our casework accordingly. We have had to determine what is in the public's best interests in making some difficult decisions about our operational priorities and how we tackle priority vulnerabilities. The online environment has revolutionised how criminals interact with each other and with victims and this has fundamentally changed what law enforcement must do to keep people safe and bring criminals to justice. Cyber crime is evolving more quickly than any other threat and the NCA's ability to lead the fight against serious and organised crime is dependent on its ability to operate successfully on the internet and exploit internet-related and communications data and to narrow the gap between the ability of criminals and the ability of law enforcement.

Last year we embarked on a significant change programme to make radical and positive changes in the development of our capabilities, our work practices, our culture and our infrastructure. Historical underinvestment in information technology and analytical capability has meant that these have been areas of immediate focus for us. Phase One of the programme is now complete and this has been delivered within existing resources and alongside our core crime fighting activity.

The NCA has continued to develop national Tasking and Coordination systems and processes through the year together with its operational partners. In response to some threat areas, for example Child Sexual Exploitation and Abuse (CSEA), there has been visible success in mobilising the whole law enforcement system in a coordinated manner to leverage our collective capabilities against the threat, through our tasking processes. More work is underway to enable us to secure an equally cohesive response consistently for all of the threat areas.

A welcome development this year was the consent by the Northern Ireland Assembly to the making of the Crime and Courts Act 2013 (National Crime Agency and Proceeds of Crime) (Northern Ireland) Order 2015. The Order extends the role of the NCA in Northern Ireland and reflects a package of measures to ensure police primacy and, separately, accountability for the NCA operating in Northern Ireland.

Her Majesty's Inspectorate of Constabulary (HMIC) inspected the NCA in the summer of 2014 and concluded that we had 'made a strong start'. HMIC also found that the NCA was discharging its statutory functions, and noted that work was underway to further strengthen our capabilities. As we develop and expand our capabilities, our partnerships across government, law enforcement, the private sector and others become more, not less, important. We have finite resources and must ensure that we are delivering in areas where we can best add value, for example by providing additional capabilities that partners do not have.

Our funding for 2015/16 is less in real terms than the previous year and we must continue to evolve whilst critically evaluating what we deliver and how the NCA operates with other agencies at national, regional and local levels. This will enable us to ensure that we are delivering in the most effective manner to protect the public within available resources as we continue to discharge our mission to lead the fight to cut serious and organised crime.

A handwritten signature in black ink, appearing to read 'Keith Bristow'.

**Keith Bristow QPM**  
Director General

# Introduction

This second Annual Report of the National Crime Agency (NCA) examines the exercise of the NCA's statutory functions for 2014–15, its first full operational year. It provides commentary against the NCA Annual Plan, which was published in March 2014, and looks at how the NCA has discharged its statutory functions during the year.

The NCA is a non-ministerial department, created under the Crime and Courts Act 2013. It became operational in October 2013 and brought together officers from the Serious Organised Crime Agency (SOCA), the Child Exploitation and Online Protection Centre (CEOP), the Police Central e-Crime Unit (PCeU), and the Criminal and Financial Investigation Border function of the Home Office. In February 2014, officers from the former National Fraud Authority (NFA) joined the NCA together with the transfer of some NFA functions.

The NCA was set up to lead the UK's fight to cut serious and organised crime, with the following principal functions:

- Crime reduction – securing that efficient and effective activities to combat organised crime and serious organised crime are carried out (whether by the NCA, other law enforcement agencies or other persons); and
- Criminal intelligence – gathering, storing, processing, analysing, and disseminating information that is relevant to any of the following:
  - a) activities to combat organised crime or serious crime;
  - b) activities to combat any other kind of crime; and
  - c) exploitation proceeds investigations (within the meaning of section 341(5) of the Proceeds of Crime Act 2002), exploitation proceeds orders (within the meaning of Part 7 of the Coroners and Justice Act 2009), and applications for such orders.

The NCA is the first agency to be given the responsibility of leading the UK's overall effort to tackle serious and organised crime. It also has a set of specific statutory and national responsibilities to carry out in conjunction with, and sometimes on behalf of, UK law enforcement. The NCA operates in response to a broad range of threats and risks, many of which also remain the responsibility of other UK law enforcement agencies. As this report will demonstrate, those threats and risks are constantly changing and this year has seen a change in law enforcement priorities as a result of events at home and abroad.

The NCA Director General has operational independence, but is accountable to the Home Secretary for the effective discharge of the NCA's functions and through the Home Secretary to Parliament. A published Framework Document sets out in detail the roles and responsibilities of the Home Secretary, the Home Office and Government in respect of the NCA.<sup>1</sup> The NCA is also subject to scrutiny by the Scottish Parliament and the Northern Ireland Assembly.

At 31 March, the NCA Board comprised nine executive and three non-executive members. The Board is chaired by the Director General and has a responsibility to provide strategic clarity and commercial sense as well as monitor performance. Restructuring at Director level during the year resulted in changes to the Board, including reducing its overall size. Further information can be found in the Statutory Accounts.

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<sup>1</sup> A revised version of the Framework Document was published in May 2015.

The Crime and Courts Act 2013 provides for the Home Secretary to set strategic priorities for the NCA and these five strategic priorities were set out in the NCA's Annual Plan for 2014–15. In addition the Director General set seven operational priorities, also reflected in the Annual Plan. The NCA's performance reporting in this document is structured around the four agreed Key Performance Questions (K PQs), outlined in the Annual Plan.

These are:

- How comprehensive is the NCA's understanding of the threats?
- How effective is the NCA's response to these threats?
- How effective is the NCA at working with partners?
- How effectively does the NCA manage resources?

Over the course of the year several changes were made to the NCA's structure to better align resources to meet operational demands. At year end, the NCA comprised the following operational areas:

- CEOP Command (CEOP);
- Economic Crime Command (ECC);
- Intelligence and Operations (IOD), including the Border Policing Command;
- National Cyber Crime Unit (NCCU); and
- Organised Crime Command (OCC).

As part of IOD, the National Intelligence Hub provides access to a wide range of intelligence and information, analysing this to produce a single comprehensive assessment of the threat and identifying opportunities to cut serious and organised crime in the UK.

Further restructuring was achieved by way of a voluntary early exit scheme run alongside the recruitment of new officers – more information on this can be found later in the report. Work to rationalise the estate which the NCA inherited continued with a reduction in the number of sites.

The NCA's sizeable network of international liaison and other specialist officers based overseas ensures that it is able to work effectively with partners abroad as well as in the UK to tackle serious and organised crime which impacts upon the UK. At year end, the NCA had in the region of 140 officers based overseas covering over 100 countries.

NCA output data for 2014–15 can be found at the end of this report.

# Operational Context

## Serious and Organised Crime Strategy

The Government published the Serious and Organised Crime Strategy in October 2013, to coincide with the launch of the NCA. The Strategy aims to reduce substantially the level of serious and organised crime impacting upon the UK. It follows the four components of the counter-terrorism model, namely:

PURSUE – to prosecute and disrupt the activities of persons engaged in serious and organised crime;  
PREVENT – to prevent people from becoming engaged in serious and organised crime;  
PROTECT – to increase protection against serious and organised crime; and  
PREPARE – to reduce the impact of this criminality where it takes place.

The Government's first priority of the Serious and Organised Crime Strategy is the highest priority for the NCA: to identify and disrupt serious and organised crime, including by investigating and enabling the prosecution of those responsible – Pursue. The NCA coordinates this work, leading and supporting operations across five main areas: organised crime; cyber; economic crime; child sexual exploitation and serious and organised crime at, and crossing, our borders. The NCA's activities are aligned to the Serious and Organised Crime Strategy, but are not limited to those which fall under Pursue. The NCA supports and, where appropriate, leads cross-Government work, locally and nationally, to deliver the three other components in the Serious and Organised Crime Strategy: to strengthen protection against and reduce the impact of serious and organised crime – Prepare and Protect; and to deter people from becoming involved in serious and organised criminal activity – Prevent. This report contains examples of NCA activity against all four Ps.

## National Strategic Assessment

In May, the NCA published the first ever National Strategic Assessment (NSA) of Serious and Organised Crime, the most comprehensive public-facing analysis to date of the serious and organised crime threats affecting the UK. The 2014 NSA drew together knowledge from across the whole law enforcement community, providing an objective picture of serious and organised crime threats, enabling UK law enforcement as a whole to prioritise, coordinate and target the response. The NSA identifies and assesses the scale and nature of serious and organised crime in the UK in terms of criminals, their impact on victims, and five cross-cutting issues they exploit: cyber, borders, corruption, money laundering / criminal finance, and identify theft / fraud.

Key themes in the 2014 assessment included:

- the growth of online streaming of real-time child sexual abuse;
- an anticipated growth in the targeted compromise by cyber criminals of UK networked systems, including more ransomware attacks and distributed denial of service (DDOS) attacks;
- the threat to the UK economy from money laundering;
- a likely increase in the supply of heroin from Afghanistan, the processing/production of amphetamine in the UK, and the supply of new psychoactive substances; and
- an increase in the criminal exploitation of the legitimate supply of firearms.

## National Tasking Structure

The National Control Strategy (NCS), published by the NCA in May, is the means through which the National Tactical Tasking and Coordination Group (NTTCG) tasks threats and cross-cutting issues to ensure that each threat is prioritised and that there is an appropriate response. The National Intelligence Requirement (NIR) articulates the level of knowledge about each of the threat areas and cross-cutting issues and identifies where there are gaps.

The national tasking process is driven by the National Strategic Assessment and National Control Strategy. The 2015 versions of these documents were nearing publication by year-end and saw a significant step-change in partner engagement and consultation at every stage of production. This included a two-day workshop in December, which reviewed the content of the NSA and agreed a prioritisation of the threats to inform where the response should focus.

National tasking is still a relatively new dynamic in law enforcement arrangements and it continued to establish a firm footing this year. The national tasking and coordination cycle directs the national law enforcement response to serious and organised crime threats and risks, and ensures that operational resources across the UK are used to maximum effect. It also enables the proper prioritisation of action against criminals and criminal groups, with the right agency leading the right operational response, including in respect of asset recovery, at local, regional, national and international levels.

Using the NCS, the NSTCG allocates threats and cross-cutting issues to the multi-agency Strategic Governance Groups (SGGs). SGGs, which are chaired by NCA Directors and supported by specialist threat groups where necessary, produce a Strategic Action Plan (SAP) to describe the activity to be undertaken by the NCA and its partners to mitigate the threats and risks. Each SAP aligns with the Serious and Organised Crime Strategy and the four Ps.

The national tasking and coordination cycle adopted a '3Rs' methodology this year to support tasking and coordination processes at all levels. The National Control Strategy is created through partnership and delivers an agreed and shared understanding of current serious and organised crime threats or Risks, which requires partners to put in place the Response as appropriate and understand collective impact or Results through common performance indicators.

The national tasking and coordination cycle contains the following elements:

- National Strategic Tasking and Coordination Group (NSTCG) every six months, chaired by the Director General;
- National Tactical Tasking and Coordination Group (NTTCG) every eight weeks, chaired by the Deputy Director General;
- National Strategic Intelligence Group;
- National Tactical Intelligence Group; and
- National Daily Briefing Meeting.

This year, varying factors resulted in changes to the overall assessment of some of the threats impacting upon the UK and this in turn led to a reprioritisation of resources and a refocus of effort.

Factors included:

- an obvious change in the scale and nature of a particular threat, requiring a corresponding change in the response – such as the well-documented increase in migration from Africa into southern Europe across the Mediterranean, and the criminality associated with it;
- an increase in the visibility and understanding of a particular threat – such as child sexual exploitation and abuse (CSEA) – where the level of detail has improved and it has become possible to make an assessment on the impact of law enforcement activity against it; and

- a threat which remains constant – such as firearms – but where it is judged that the understanding of the threat is not proportionate to the threat it presents.

In October, the NSTCG responded by directing that higher priority should be afforded to CSEA; firearms; and Organised Immigration Crime, Human Trafficking and Modern Slavery. More information on the increase in effort against these prioritised threats can be found later in this report. The NSTCG also identified Money Laundering and Corruption as similarly important for the latter half of the year.

The Home Secretary issued a revised version of the Strategic Policing Requirement (SPR) this year. The SPR sets out the threats and harms which have a national dimension and provides a framework for police forces in England and Wales to inform the strategic assessment of threat and risk and enable the planning for cross-boundary capabilities to tackle them. The amendments to the SPR reflect the fact that CSEA is now considered to be a national threat in its own right, alongside wider serious and organised crime.

Technology continued to create new opportunities and enable crime threats, such as the sharing online of indecent images of children. Regarding the NCA's increased ability to carry out cyber-related crime investigations, Her Majesty's Inspectorate of Constabulary (HMIC) commented<sup>2</sup> *'This has led us to conclude that the NCA is adapting well to new and emerging threats.'*

## **Statutory Tasking Arrangements**

Section 5 of the Crime and Courts Act sets out statutory tasking arrangements between the NCA and other agencies. In December, the Director General accepted a request from South Yorkshire Police, under Section 5(3) and (4) of the Crime and Courts Act 2013, to conduct an independent criminal investigation into non-familial child sexual exploitation (CSE) in Rotherham – Operation STOVEWOOD.

Also, although the Director General's power under section 5 (5) to direct a chief officer of an England and Wales police force has not been needed since the NCA's inception, the Director General did make use of his power to make a request of a chief officer of an England and Wales police force this year.

Further information on both these matters can be found later in this report.

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<sup>2</sup> HMIC report 'An Inspection of the National Crime Agency' published in March 2015.

# Key Performance Questions

## **KPQ1 – How comprehensive is the NCA’s understanding of the threats?**

**NCA Vision** – *High confidence in a single national intelligence picture to lead the UK’s prioritised law enforcement response against serious and organised criminals and their groups.*

To further inform the understanding of the threats, the NCA worked with Regional Organised Crime Units (ROCU) and national agency partners in the NTTCCG and NTIG forums to gather intelligence to fill gaps in the collective knowledge. The establishment of specific threat desks in the National Intelligence Hub (NIH) enhanced NCA and partner understanding of the threats and informed the response. More information on the NIH can be found later in this section.

## **The Scale and Nature of the Threats and Transparency about Intelligence Gaps**

The Serious and Organised Crime Strategy requires the NCA to bring together and develop intelligence on all types of serious and organised crime, prioritise crime groups according to the threat they present and to lead, support and coordinate the response. Importantly, because of the way the NCA was set up, the publication of the first NSA in May was also the first time that the shared threat assessment fitted within a national framework, connecting the strategic understanding of the threats with a UK-wide tactical response to them. The NSA, and the response to it, is owned by the whole of law enforcement, including police forces and other national agencies, and is informed by material gathered from a wide range of organisations, including local government, industry partners, the third sector and international allies.

The NCA led the National Intelligence Requirement (NIR) review process to ensure the intelligence capabilities of the NCA and its partners were brought to bear to address the key gaps in the collective understanding of the threats. A 2015 version of the NSA will be published in June; an OFFICIAL-SENSITIVE version having been circulated to partners in March. The current intelligence picture, as articulated in the NSA, was the result of extensive and sustained consultation with partners throughout the year to ensure that all regional trends and risks were identified to create a national picture.

In terms of intelligence gaps, CSEA is now one of the highest serious organised crime threats, but the full extent of the threat is not yet known. However, the collective knowledge of the threat has improved and assessments by the NCA on the scale of offending enable a judgement to be made on the efficacy of enforcement activity against it. Since the inception of the NCA, the number of CSEA offenders pursued under criminal justice measures has increased, as has the number of children safeguarded and protected as a result of NCA activity. Law enforcement operations and high-profile cases have provided a much better appreciation of the scale and the challenge it now presents.

The risk from firearms remains high and the NCA focused on joint working with partners to enhance the understanding of the scale and nature of the threat through strategic and tactical intelligence-gathering processes. There are knowledge gaps in relation to the international supply of firearms and events in Paris in January bear witness to the potential risk that extremists pose if they can source firearms and ammunition.

For organised immigration crime, human trafficking and modern slavery, a refocus of NCA resources led to increased intelligence collection and sharing. An NCA project began to address the need to improve the understanding of the organised crime groups which have the most significant impact in terms of these threats.

This year the establishment of a Human Trafficking and Modern Slavery Threat Group under the Organised Immigration Crime Threat Group was agreed, and work began to deliver this.

Referrals of potential victims of human trafficking to the National Referral Mechanism<sup>3</sup> (NRM) increased again this year, though this may be due in part to increased awareness and ability to identify potential victims. The NCA contributed to a Home Office-led consultation on the future of the NRM this year, the findings of which were published in a report in November. The NCA welcomed the recommendations, one of which was to remove from the NCA administrative responsibility for managing the NRM, in order that the agency could instead focus its resources on the frontline operational response to Human Trafficking and Modern Slavery.

Assisted by the Cyber SGG Industry Sub-Group, the NCA developed and published the second Annual Cyber Strategic Assessment in March which changed the threat focus to criminals and the enabling marketplace. An important development since the first edition was published in 2013 was the much greater involvement that industry partners – as represented within the Cyber SGG Industry Sub-Group – had in shaping the assessment of current and emerging threats. The threat assessment is used to assist in the prioritisation of threats and in driving a multi-agency response. The assessment also provides international law enforcement partners with a consolidated UK vision of the main threats from cyber-dependent crime, and is assisting the coordinated international law enforcement response and wider alliances that are fundamental in responding to the cyber crime threat, given that much of it is international in character.

Money Laundering has been identified as a High Priority threat but knowledge has historically been limited to cash-based money laundering. The nature and scale of the threat to the UK from ‘high-end’ money laundering, i.e. the laundering of funds through the UK financial sector and related professional services, is a significant intelligence gap. However, work is underway to improve both the intelligence picture and cross-agency intelligence flows.

This year saw the NCA’s Intelligence Hub become the National Intelligence Hub (NIH). The NIH was set up to create a comprehensive intelligence function serving all of UK law enforcement. It has a number of threat desks, aligned to the most significant serious and organised crime threats, and each has the ability to gather and analyse intelligence material, from all sources, both sensitive and non-sensitive, to provide the best possible intelligence picture of the serious and organised crime threats to the UK.

Created within the NIH was the National Confidential Unit (NCU) which has access to all sensitive law enforcement-related intelligence held by the NCA and manages UK law enforcement’s access to this material. Shortly before year end, the NCU achieved certification against the standards set out in the Confidential Unit Operating Model (CUOM).

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<sup>3</sup> The National Referral Mechanism (NRM) is a system which manages the referral and decision-making process concerning potential victims of human trafficking.

## **The mapping and understanding of serious and organised criminals and groups**

The NCA continued to manage established national processes linked with Organised Crime Group Mapping (OCGM). OCGM provides an objective scoring mechanism which allows the NCA and partners to prioritise the response against those groups causing the greatest harm to the UK. OCGM covers all national strategic priorities and threats within what is known as the OCGM tracker. Notwithstanding this there remains a disconnect between the reporting categories in OCGM and the National Control Strategy making it difficult to use OCGM as a tool to analyse understanding of threat by NCS threat area.

Over the year, the total number of organised crime groups identified by OCGM remained largely the same as the previous year with around 5,800 groups, of which the NCA managed 590. The NCA ensured that threats posed by these groups were actively managed with an appropriate operational response.

OCGM is a useful tool in assisting the understanding of organised crime groups (OCGs), but it does not capture the full extent of cyber criminal groups. The international nature of cyber crime, the ability of individuals to work unaided and anonymously whilst still posing a considerable threat, and the fact that the threat is constantly evolving pose particular challenges to mapping it. Work is underway, under the Cyber SGG, and in conjunction with the Organised Crime Coordination Centre (OCCC), now known as the Organised Crime Fusion Centre, to identify how this picture can be enhanced.

Work continued to improve the quality of OCGM data, such as the Scarlet Explorer exercise on page 17; and to take advantage of opportunities to make better use of OCGM data to measure impact that have not yet been exploited.

The review and development of OCGM continued this year, looking in particular at ways of providing access to real-time OCGM data to all law enforcement partners and to consider what is needed for the future. Work is overseen by two multi-agency programme boards, both chaired by the NCA.

## **The understanding of criminals and groups who present the highest risk to the UK**

At the end of March, there were 23 High Priority Groups, of which the NCA was leading on activity against 13, and 517 Priority Groups,<sup>4</sup> of which the NCA was leading on activity against 77. Continued assessment and review of the status of High Priority Groups ensured that operational activity was aligned to the nature and level of threat they present and this was overseen by the NTTCG. The status of Priority Groups was moderated and reviewed by regional or, within the NCA, Command TTCGs.

This year the NCA introduced the concept of High Priority Criminals to identify those individuals presenting the most significant threat, but who sit outside organised crime groups, and High Priority Vulnerabilities to identify threats which do not take the form of a group or individual criminal.

Over the course of the year the NCA routinely reviewed progress of its tasked operational activity against criminals, groups and vulnerabilities to ensure that the response was appropriate in each case.

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<sup>4</sup> The number of High Priority and Priority Groups changes throughout the year as the risk presented by those Groups changes as a result of law enforcement activity taken against them and/or as intelligence about them affects their status.

## The Usefulness of NCA Strategic Intelligence Products

The NCA produced 47 Alerts and 78 Assessed Intelligence Reports this year. Feedback from recipients indicated that most assessments were being used as ‘building block intelligence’. Where rating scores were provided, the average rating for usefulness was 3.8 out of 5 and for timeliness was 3.7 out of 5.

The NCA, specifically the UK Human Trafficking Centre (UKHTC), produced the NCA Strategic Assessment on ‘*The Scale and Nature of Human Trafficking in 2013*’, which was issued in September. This is an assessment of the current intelligence picture in relation to the trafficking of human beings into, within and through the UK. It details UK law enforcement’s current collective understanding, intelligence gaps and opportunities for action to enable the adoption of a collection plan to drive future multi-agency activity.

The NCA’s ENDORSE Annual Report was disseminated in June. It provides a picture of drug purities and adulteration patterns in England and Wales, based on the results of the forensic analysis of drugs seizures by law enforcement. In response to the report, the Chair of the Advisory Council on the Misuse of Drugs (ACMD) wrote to the NCA Director General to thank him for the report and the willingness of the NCA to share intelligence with the ACMD. In his letter, Professor Les Iversen commented:

*‘This report has provided drugs professionals with important information and has been enthusiastically welcomed by many members. It informs front line drugs treatment – both acute toxicity treatment and longer term recovery; in particular the NCA being transparent about the increasing heroin purities might well help save lives.’*

The NCA’s NCCU made significant progress with industry partners to enhance dynamic intelligence sharing, which will complement NCCU’s growing ability to generate intelligence through developments such as the joint NCA/GCHQ Joint Operations Unit in Bristol that was announced in December. More information on this can be found later in the report.

### Protect

An NCA Alert in June urged users to take advantage of a two-week window of opportunity to combat the threat from types of malicious software, known as malware, such as GameOverZeus and CryptoLocker, estimated to have cost direct losses of USD 100m globally.<sup>5</sup> Activity undertaken in several countries and led in the USA by the FBI served to weaken the global network of infected computers – estimated to be in excess of 15,500 in the UK. This meant that action taken to strengthen on-line safety during the two-week period was particularly effective. The activity by the NCA’s NCCU safeguarded funds in excess of £100 million.<sup>6</sup> In January this year, monitoring showed a decrease of at least 75% in UK GameOverZeus computer infections.

## The use of tactical intelligence to inform NCA and partner responses

In January, the five pilot Joint Border Intelligence Units (JBIU) became operational, each comprising representatives from Border Force, Special Branch, the NCA, the Immigration Enforcement Directorate of the Home Office and HMRC. The JBIUs draw together intelligence from each agency to increase overall knowledge of threats and provide new intervention opportunities with the ability to access a fuller intelligence picture to determine action at the border. The Units will be evaluated later in 2015.

5 Source: *United States’ Memorandum of Law in Support of a Motion for Temporary Restraining Order and Order to Show Cause. United States of America (plaintiff) v. Evgeniy Mikhailovich Bogachev et al.*

6 This is a reasonable estimate based on ‘monies at risk’ i.e. those accounts that were vulnerable, but remained unaffected.

In February, the operational element of the Joint Money Laundering Intelligence Taskforce (JMLIT) was established to provide an environment in which the financial sector and law enforcement agencies can exchange and analyse intelligence to detect, prevent and disrupt money laundering. This innovative approach means that, for the first time, the NCA and other law enforcement officers are working side by side with staff from some of the major UK banks to tackle the threat.

**Pursue**

In a joint investigation the NCA and South Yorkshire Police uncovered a firearms supply ring in Rotherham following raids that found an arsenal of weapons including a crossbow, an automatic machine gun and chemicals such as nitro-glycerine, which are used to make explosives. It was clear that the weapons were intended for use in further criminal activity. In March, the three men received custodial sentences of between five and seven and a half years.

## KPQ2 – How effective is the NCA’s response to the threat?

**NCA vision** – *the NCA relentlessly disrupts high priority and priority serious and organised criminals and their groups affecting the UK.*

### Internal tasking to ensure effective deployment of resources and appropriate operational response according to level of threat

There were changes to NCA internal tasking this year. Whilst retaining elements of central tasking, at Command level the NCA increased tactical tasking flexibility. This enhanced the flexibility of the agency’s resource deployment and the agility of its response. It also had the benefit of making it easier to prioritise work within each individual Command. In order to ensure and maintain a balance of resources across each of the different threat types, the NCA introduced a process of assessing what proportion of its overall effort was directed at each threat type.

At year end, just over 80% of the agency’s overall effort was focused on high priority and priority NCS threats and there was an increase in effort against three priority threat areas (CSEA, Firearms, OIC), where the response was not proportionate to the risk, confirming that the agency’s tasking mechanisms were successfully directing resources at the key priorities.

In its report, referred to earlier, HMIC commented ‘*we are satisfied that the NCA has prioritised its investigations appropriately and we are particularly assured by the extent to which it has initiated investigations in tandem with pursuing those which it inherited from the precursor bodies.*’

### Relentless disruption of High Priority and Priority OCGs

The agency’s focus remained on the relentless disruption of high priority and priority serious and organised criminal groups and individuals, those presenting the highest risk to the UK and its communities, as well as on vulnerabilities exploited by criminals. At year end, all NCA-led High Priority and Priority Groups were subject to an operational response.

#### **Pursue**

An NCA-led investigation of a Priority Group led to the successful prosecution in July of three individuals for human trafficking offences. The victim had been targeted in Nigeria by a female operating on behalf of an OCG with links to other OCGs in Italy and Nigeria. She believed she was being brought to the UK to train a nurse. She was held against her will for three weeks by the OCG, raped and subjected to the African ritual of Juju, which was used to frighten her into compliance. On arrival in the UK she was met by one of the members of the OCG and forced to hand over her passport. A month after her arrival she was provided with a false passport and forced to travel to Milan to work as a prostitute. She was refused entry to Italy and returned to the UK. On her return she handed herself into the UK authorities, and the investigation into the OCG began.

This year the NCA achieved 907 disruptions<sup>7</sup> on its operations and projects, of these 89 were against High Priority Groups, 65 against High Priority Vulnerabilities and 129 against Priority Groups. Of the total number of disruptions, 89 were major, 280 were moderate and 538 were minor in terms of impact.

<sup>7</sup> Disruption has been achieved when an individual or group is unable to operate at its usual level of activity for a period of time, or there has been an impact on a vulnerability. The NCA records and assesses all events aimed at disrupting them as part of the performance reporting regime.

### **Pursue**

An NCA operation targeting a High Priority Group (HPG) engaged in CSEA was initiated this year. The HPG used an internet conference facility and social media to facilitate the live-time sharing of indecent images and videos of children (IIOC) and the live streaming of child abuse. Due to the nature of the offending there was significant NCA child safeguarding activity from the start of the investigation. Three children, believed to be victims of abuse that was live streamed, were safeguarded as were all children connected to the core group of offenders.

In February seven defendants pleaded guilty to 27 charges, but two of them also pleaded not guilty to three indictments of conspiracy to rape.<sup>8</sup> The guilty pleas included numerous counts of rape of a child under 13, sexual assault on a child under 13, conspiracy to engage in sexual activity with a child under the age of 13, administering a substance with intent, taking, making, showing, possession and distribution of indecent images of children (IIOC), possession of extreme pornography and breaching a Sex Offender Prevention Order (SOPO).

### **Pursue**

In March, a garage owner became the third member of a High Priority drug smuggling crime group to be jailed over a plot to import 230 kilograms of heroin in a specially-adapted Jaguar car. The drugs were concealed in virtually every available space within the vehicle – the bumpers, wheel arches, dashboard, central console, spare wheel compartment and rear seating.

Attique Sami was found guilty of conspiring to import and supply heroin following a trial at Luton Crown Court and sentenced to 19 years' imprisonment. His conviction follows the sentencing of two other men, Noman Qureshi and Israr Khan, in October last year who were sentenced to 21 and 18 years respectively. The group had international contacts and planned to import hundreds of kilograms of high-purity heroin to the UK.

Following a number of high-profile malware threats to the UK, the NCA working with partners in law enforcement, industry and government coordinated an intensive period of UK-wide action against cyber crime in March, carrying out a range of activity to help businesses and members of the public guard against cyber crime.

Fifty-eight people were arrested in 25 separate operations, which related to a range of cyber criminality including network intrusion and data theft from multinational companies and government agencies, Distributed Denial of Service (DDoS) attacks, cyber-enabled fraud, and malicious software and virus development. Operational activity took place across England, Scotland and Wales and saw officers deployed from the NCCU, ROCUs from around the UK, and the Met police.

The week also involved a pioneering approach in helping small and medium enterprises, hosting companies and ISPs identify threats on their infrastructure. Ten Regional Organised Crime Units, Police Scotland and Police Service of Northern Ireland visited approximately 60 businesses, with personalised security data reports, identifying 5,531 compromises on servers within the UK. The compromises could be used to send out spam email, launch attacks against websites or servers, or install phishing websites to gain access to sensitive information.

Through arrests of suspected criminals and cleaning the cyber infrastructure on which their enterprises depend, the activity was a significant contribution towards the National Cyber Security Strategy of making the UK one of the safest places to operate online, and making the UK hostile to cyber criminals.

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<sup>8</sup> Shortly after year end the two defendants were convicted of the remaining charges, one for two counts of conspiring to rape a child under 13 and the other for conspiring to commit sexual assault against a child.

### **Prepare**

In December, the first seven-week exercise, known as Scarlet Explorer concluded. The exercise was a test of the ability of the NCA and partners to identify, assess and respond to the most harmful organised crime groups and individuals, across a range of crime types. The exercise demonstrated that improvements were needed across all three elements. Lessons learned from this exercise will be used to strengthen the operational response at local, regional and national levels, and will be used to inform future testing exercises.

## **Identification and pursuit of criminal finances of High Priority and Priority groups**

The aim of the NCA's approach to tackling criminal finances and profits is to reduce the impact of serious and organised crime, including economic crime; not to maximise the revenue seized or confiscated.

The approach of "asset denial" includes a range of interventions, which mean that criminals are not able to access funds. Success in impacting on criminal finances and profits lies in a proactive use of financial investigation techniques in intelligence and evidence-gathering, as well as the application of asset recovery tools such as cash forfeiture, restraint and confiscation, civil recovery and taxation.

The NCA has a specialist capability in civil recovery; this can be a powerful deterrent and disruptive tool by removing criminal role models and the lure of financial capital from criminal enterprises and thus prevent individuals being attracted to criminal activities in the first place.

### **Pursue**

Shafiq Ahmed was sentenced to eight-and-a-half years' imprisonment in June 2013 after being found guilty of running a criminal network from a money transfer business based in Tooting, south London. The business laundered in excess of £5 million, the majority of which was the proceeds of drug trafficking deals. At a hearing in October 2014, Ahmed was given six months to hand over the sum of £1.12 million. £300,000 cash seized during the investigation into Ahmed's network had previously been forfeited at a separate hearing – with around £80,000 of that found at Ahmed's business premises.

## **Use of powers and criminal justice disruptions**

The relentless disruption of serious and organised crime groups by investigating and prosecuting those responsible continued to be a priority. Arrests made as a result of NCA activity exceeded 2,000 in the UK and 1,000 internationally, a significant increase on the figures for 2013/14. The conviction rate for NCA cases reaching court this year was 91%.

Further details on criminal justice outcomes can be found at the back of this report.

### **Pursue**

A prolific child abuser who posed as a volunteer charity worker in order to groom and sexually exploit vulnerable children in Africa was convicted in December and sentenced to 17 years and four months' imprisonment, following a High Priority investigation by West Mercia Police supported by the NCA's CEOP Command. Simon Harris travelled to the rural town of Gilgil in Kenya to target his victims, offering them chocolate, sweets, clothes and a place to sleep for the night. The case was the first time legislation, designed for prosecuting British nationals for committing sexual crimes overseas, had been used for offences reported in Africa. His victims gave evidence from Kenya via satellite video link. Birmingham Crown Court heard that, having gained their trust, he abused the boys, often plying them with alcohol and leading them to believe that the abuse they suffered was "normal".

The NCA disseminates actionable opportunities for cash seizures to police forces. This year this resulted in approximately £13.8m cash seized and 138 arrests. Over a period of three calendar years it has produced cash seizures in excess of £29 million. 2014 in particular generated record cash seizures totalling £13m, a 32% increase on 2013 (£9.8m) and a 91% increase on 2012 (£6.8m).

#### **Pursue**

In January three men were convicted of conspiracy to supply cocaine and received sentences totalling just under 20 years in a Priority Operation carried out in conjunction with Merseyside and Cheshire Police forces. One of the men owned a car valeting business, which he used as a front to supply cocaine, employing another as a courier. The third, an associate was observed collecting a package from them and was arrested by Merseyside police. He was found to be in possession of three kilos of cocaine. A search of his house led to the seizure of cash totalling £48,710. At the home of one of the others, NCA officers found over £6,000 cash and drugs paraphernalia including scales.

#### **Pursue**

In November an operation led by the NCCU and coordinated with ROCUs, saw four or five coordinated arrests across the UK against purchasers of Remote Access Trojans. This operation was the UK contribution to international enforcement activity, coordinated through Europol. The activity targeted the users of software which is designed to remotely take over, control and steal information from computers. A further 11 individuals were arrested across Europe, demonstrating the value of coordinated activity at a regional, national and international level. In addition, the NCA uses a variety of PREVENT approaches to warn individuals that any movement into cyber criminality will result in further action.

#### **Pursue**

In March, the NCA executed European Arrest Warrants (EAWs) in the case of two men of Syrian origin who were wanted by the Belgian authorities in connection with a suspected people smuggling network. They were remanded in custody pending a full extradition hearing. The arrests were the result of a joint investigation with the Belgian Federal Police, targeting a network believed to have smuggled up to 200 individuals into the UK in lorries through the Channel ports. It is alleged that the migrants, mainly Syrians, Iraqis and Albanians, were loaded onto lorries at motorway service stations and lay-bys in Belgium before being transported to the UK. They would be charged up to £5,000 if they were successful. In January police in Belgium had arrested 11 individuals suspected of being involved in the same network and 17 migrants were also detained.

## **Innovative and effective use of non-traditional interventions**

The NCA continued to explore and make full use of non-traditional interventions to deter people from becoming engaged in serious and organised crime by raising awareness of the consequences of committing such offences and to stop those from continuing their engagement. These interventions included the use of prison-based disruptions and lifetime management mechanisms such as ancillary orders.

The importance of lifetime management as an effective method of disrupting serious and organised criminals continued to be recognised by the NCA, working closely in this aim with the National Offender Management Service (NOMS) and the wider law enforcement community.

Established processes led to risk intelligence and information being frequently shared by the NCA with NOMS resulting in disruptions of imprisoned subjects from Priority and High Priority Groups. This included the further sharing with prison Governors details regarding every imprisoned OCGM nominal which, when combined with new NOMS processes concerning release on licence, ensured better informed decisions were taken by NOMS on such matters.

Mobile phones held illicitly by serious and organised criminals in prison continued to pose a threat and were used to orchestrate serious crime and make threats to criminal associates. The NCA supported NOMS in tackling this issue by prosecuting and convicting some imprisoned serious and organised criminals caught in possession of mobile phones. More significantly though, the NCA assisted NOMS in preparatory work for legislation (Section 80 Serious Crime Act, 2015, which received Royal Assent in March 2015), enabling civil courts to issue Telecommunications Restriction Orders against communications service providers to cut off signals to unauthorised mobile phones and SIM cards in prisons.

In order to disrupt the supply of contraband into prisons, particularly drugs and mobile phones, the NCA coordinated and participated in a number of multi-agency days of action at prisons in the South East, Midlands and Yorkshire areas leading to seizures of illicit commodities, prosecutions and refused or controlled visits to prisoners. One prison Governor commented: *“The implementation of the operation was hugely impressive. The success of the operation could be measured on the day with the excellent results, but long term, the effect will be felt in disruption to criminal activity and potential trafficking of items into the prison.”*

Shortly after the conviction of Simon Harris reported above, the NCA, in conjunction with the British High Commission, launched the International Child Protection Certificate (ICPC) in Kenya. The ICPC was developed to target British nationals and residents who may be seeking to travel and work overseas in order to sexually abuse children. An ICPC is issued following satisfactory checks against police information and intelligence databases. It aims to provide reassurance that staff employed in schools and voluntary organisations do not have a UK criminal record that makes them unsuitable to work with children. At year end the ICPC was in use in 73 countries worldwide.

#### **Prevent**

In June the NCA delivered warning letters, sent emails and conducted ‘cease and desist’ visits to over 600 UK-based individuals who were known to have bought the Blackshades malware, a remote access tool able to take control of other users’ webcams and steal passwords. This Prevent activity was coordinated with arrests to maximise the deterrent impact.

This year saw further examples of the innovative use of the provisions of the Proceeds of Crime Act 2002 (PoCA), causing significant disruptive effect. In the first case of its kind, brought under s281 of PoCA, the victims of a fraudulent property development scheme in northern Cyprus – perpetrated by Gary Robb – made an application to the court to make claim to his property. The NCA had issued an appeal for victims to come forward and also assisted them by providing relevant information obtained during its investigation to support their claims and trace back the money they had invested. The result will be that the majority of the claimants will be entitled to a pro rata percentage of the fund to be returned to them.<sup>9</sup>

In the absence of any procedural or statutory steer, the NCA worked closely with the court to establish a procedure which would be cost effective and efficient in order to deal with so many competing claims. The agency also assisted the victims to establish their claims with a process of voluntary disclosure of material.

Bribery and corruption – including the laundering of the proceeds of corruption, for example from Politically Exposed Persons – is considered a high risk to the UK. In July the NCA obtained the first ever interim Prohibition Order following a Mutual Legal Assistance request from the US Department of Justice. The Order resulted in the NCA freezing and preventing in the region of £100 million of allegedly stolen assets being dissipated in October 2014. In January, the order, which is interim and part of an ongoing case, was unsuccessfully challenged by the Respondents at the High Court. The case involved allegations

<sup>9</sup> On 29 April the Royal Courts of Justice awarded £1.3m.

of grand corruption<sup>10</sup> by General Sani Abacha of Nigeria and the recovery of assets acquired by him, his family and associates.

Civil recovery successes for the NCA this year have included:

- a case against Hakki Yaman NAMLI, an international fraudster and money launderer who was unsuccessful in his appeal against the order made against him in May 2013. The NCA successfully challenged the decision of the original judge in the case that some of the money was not recoverable as it represented the profits on investments made by NAMLI with money loaned to him. As a result, USD 7 million was transferred to the NCA; and
- an order made in February concerning property worth £4.5 million belonging to Alexander SURIN and his wife, Jasbinder BOPARAN. The alleged unlawful conduct was importation of ketamine, money laundering, mortgage fraud and tax evasion. SURIN had a long history of involvement in crime dating back to the early 1990s. The Civil Recovery Order was agreed by settlement agreement on the first day of the trial, resulting in 97% of the recoverable property being subject to the Order.

### **Pursue**

In November, as part of an ongoing investigation into the activities of UK users of online drug marketplaces, the NCA took part in coordinated law-enforcement activity across Europe and the USA to target market places for illegal commodities on the dark web – the ‘hidden’ areas of the internet.

The NCA, working with police forces across the UK, arrested six people in strikes coordinated with international partners. Those arrested included suspected administrators for the online drug market place Silk Road 2.0, administrators of another drug market place, and a number of significant vendors of illegal drugs through the dark web.

Simultaneously, partners from the European Cybercrime Centre – acting on intelligence developed by US counterparts – took out technical infrastructure which was key to the hosting of illegal market places on the dark web. In total more than 400 dark web sites were taken down.

## **Response to High Priority Vulnerabilities**

### **i) Firearms**

In response to the NSTCG’s direction in October in respect of firearms, the NCA commenced a multi-agency, law enforcement response to the firearms threat to the UK. Key partners include the MPS, ROCUs, and the National Ballistics Intelligence Service (NaBIS). By year end, this heightened activity had already seen an increase in the number of operations the NCA has undertaken in respect of firearms, and in the NCA’s Armed Operation Unit’s tactical support to partners.

### **Pursue**

In March a Dutch lorry driver was sentenced to 24 years’ imprisonment after being found guilty of attempting to smuggle guns, ammunition and drugs into the UK through the Channel Tunnel to supply UK-based crime groups. When he was apprehended by Border Force officers at Coquelles in France he claimed that the trailer contained furniture and that he had only picked it after it had been loaded, but NCA investigators obtained CCTV footage from the Netherlands which contradicted the account he gave.

<sup>10</sup> Grand Corruption is corruption that pervades the high levels of a national government, leading to a broad erosion of confidence in good governance, the rule of law and economic stability (as defined in the UN Anti-corruption Toolkit).

## ii) CSEA

This year saw the creation of a NCA-GCHQ Unit to tackle child sexual exploitation and abuse on the ‘dark web’ where persistent child sex offenders are increasingly found. By year end, plans for the new unit were well advanced. The unit brings together GCHQ’s technical expertise with NCA’s investigatory capability to develop new high-tech capabilities to address the challenges of analysing vast volumes of child abuse imagery hidden on the ‘dark web’ and will focus on the most prolific offenders.

### Prevent

Under an NCA-led operation, an individual was sentenced to five years’ imprisonment after planning to meet a child to abuse. He was arrested after travelling from Manchester to London, where he had arranged to meet an individual whom he believed had access to a child. The man had exchanged emails with the individual over a period of time and had disclosed his sexual interest in babies and toddler girls. However, when he arrived at the meeting place, he was arrested by NCA officers.

In late 2014, the Director General and representatives from over fifty countries, law enforcement agencies, technology companies and charities joined the Prime Minister and the Home Secretary at the #WeProtect Children Online Global Summit in London to discuss the growing problem of online child abuse. In his speech to the Summit, the Prime Minister announced that he would commit an additional £10 million in 2015–16 to create further specialist teams in the NCA dedicated to tackling child sexual exploitation. By year end the agency had taken the decision to increase dramatically the size of the CEOP Command, advertised some vacancies among the 168 new posts created, and chosen a suitable site to house some of the new teams. The additional funding also supported the enhanced CSEA element of the joint GCHQ/NCA unit mentioned earlier in this report.

### Protect

The numbers of children accessing the NCA’s ThinkUKnow programme this year reached a total of 1,556,008 primary and 1,683,478 secondary school children, bringing the overall figures to 8,014,661 and 10,808,817 respectively. The ThinkUKnow programme is the CEOP Command’s main education resource and offers a wide range of information and support for children, parents/carers and practitioners, with the aim of developing young people’s resilience towards the threat of Child Sexual Exploitation and Abuse and empowering them with the knowledge to keep themselves safe both online and offline.

## iii) Organised Immigration Crime, Modern Slavery and Human Trafficking

In November the Home Office launched the Modern Slavery Strategy which sets out proposals for coordinated action across Government departments, agencies and law enforcement in the UK, and internationally, to tackle slavery, in addition to the legislative measures being introduced through the Modern Slavery Bill. Under the Modern Slavery Strategy the NCA leads, supports and co-ordinates the law enforcement response to this threat. Work began this year to respond to the 16 NCA-specific commitments under Pursue.

### Pursue

In March a woman suspected of being a major organiser for a child trafficking ring was arrested in Nigeria, as part of a Border Force operation supported by the NCA. She was originally arrested on suspicion of money laundering offences but when her fingerprints were checked with UK records she was identified as being wanted in the UK. She was alleged to be an organiser in a network which trafficked young women, mainly under 18 and from remote Nigerian rural villages, into Europe using Heathrow Airport as a transit hub. A European Arrest Warrant (EAW) had been issued for her when she was thought to be in Italy, but NCA officers later tracked her down to Nigeria.

## Response to Bribery and Corruption

The Government's Anti-Corruption Plan, published in December, set out a wide-ranging programme to boost the UK's ability to tackle corruption at home and abroad. The Plan included a decision to establish a new International Corruption Unit within the NCA, part funded by DFID, which will be the UK's centre of excellence for building a better picture of the threat and strengthening the law enforcement response to international corruption.

At the same time, the NCA has continued to lead the coordination and delivery of the UK law enforcement response to kleptocracy and money laundering by members of the former government of Ukraine. At year-end, NCA work included two tasked operations and a number of intelligence developments. Through the deployment of a dedicated financial investigator to Kiev in February, the NCA has also supported an ongoing partner investigation.

As part of its response to domestic corruption, the NCA secured a number of UK convictions in 2014, following criminal investigations into football match fixing.

### **Pursue**

A Civil Recovery Order was made in March at the High Court in London under Part 5 of POCA in respect of ten properties in London and Birmingham belonging to Olakunle OKUBOTE. OKUBOTE was a mortgage broker who was convicted of mortgage fraud in 2011. He had helped numerous clients obtain mortgages using false information and false employment documents, as well as using his association with a number of conveyancing solicitors.

Subsequent investigation by the NCA's Civil Recovery and Tax Team showed that OKUBOTE had obtained a substantial property portfolio for his own benefit, which was not included in the original Confiscation Order, but which was indicative of OKUBOTE's true benefit derived from his unlawful conduct. In addition to the Order, some of the solicitors involved had been struck off or fined following investigation by the Solicitors' Regulation Authority.

### **Prevent**

An NCA investigation into a Priority Group who made and sold counterfeit identity documents led to sentences of six and a half and five and a half years respectively for Medi Krasniqi and Arsen Meci who were arrested in October. Krasniqi acted as the 'broker' for the pair, collecting information and payment from clients while Meci created thousands of counterfeit identity documents in the bedroom of his flat in East Finchley. They were believed to have charged between £80 and £500 for made-to-order documents, depending on what was required. On arrest Krasniqi, a UK national of Albanian origin, had around 70 completed counterfeit cards in his possession. At Meci's flat NCA officers discovered computers, laminators and professional printing equipment, along with a number of photographs, blank cards and blank counterfeit passports ready to be made up. Around £15,000 in cash was also seized and confiscated.

The NCA continued to engage openly and transparently in the debate on the use of communications data and lawful interception by law enforcement bodies in the UK. Leading the debate on behalf of UK law enforcement, the NCA held a series of workshop events this year with a range of stakeholders including privacy advocates, parliamentarians, significant individuals associated with the debate, relevant governance bodies, communication service providers, victims' representatives and the public. The workshops presented the law enforcement perspective and engaged stakeholders by demonstrating through specially created cases how important these techniques are and the challenges law enforcement faces.

## Foreign National Offenders

The NCA assesses that at least 13% of all serious and organised criminals are foreign nationals. Action against foreign national offenders (FNOs) is a commitment under the SOC Strategy. The NCA initiated work to pre-empt FNO linked criminality in the UK, by sharing information on foreign High Priority Group criminals, enabling partners to disrupt their activity, remove them from the country or prevent their entry to the UK in the first place.

Senior Investigating Officers from the NCA worked closely with colleagues from the Immigration Enforcement Directorate and UK Visas and Immigration to identify opportunities to use immigration powers to disrupt foreign nationals linked to NCA HPGs. This included the revocation of existing leave to remain on the grounds of fraud where the NCA teams were aware of open-source information evidencing that deception had been used in immigration applications. An NCA team and the OCC worked closely with the Home Office to identify and review pending and past citizenship applications with a view to refusing or depriving foreign nationals engaged in serious and organised crime of UK citizenship.

## **KPQ3 – How effective is the NCA at working with partners?**

**NCA Vision** – *The NCA is effective at leading, supporting and coordinating, and its capabilities add value to partners’ activities to identify and disrupt serious and organised criminals and their groups.*

The NCA was specifically designed to work in partnership and its relationships with partners across all sectors have developed further over the year, built on a common agreement of the threats and risks impacting on the UK. Many of the NCA’s operations are multi-agency thereby bringing to bear the full weight of law enforcement. Notably in its report following the inspection of the NCA HMIC made the following comments: ‘*From our interviews with NCA officers we found that relationships with other organisations, such as police forces, Her Majesty’s Revenue and Customs, financial institutions, the broader financial sector and internet providers all appeared to have improved considerably since the creation of the NCA*’, and ‘*there has been joint working on a scale and in a way not seen before*’.

The NCA continued to act in accordance with both *The NCA Commitment to Working in Partnership with UK Operational Partners* and *The NCA Commitment to Working in Partnership with Police and Crime Commissioners* which were published in March 2014.

In October the NCA hosted a briefing day for Chief Constables on the National Strategic Assessment. It included specific focus on the threat from cyber enabled crime, CSEA and money laundering, and outlined the NCA’s response to these threats, including some of the NCA’s specialist capabilities. The level of attendance and engagement from chief constables was high and helped to build on the NCA’s relationship with police forces.

In January the NCA held an engagement day for Police and Crime Commissioners (PCCs) to promote a shared understanding of the threats from serious and organised crime and to explore areas for improvement law enforcement’s response. There were positive discussions regarding the need to consider the future law enforcement landscape – which capabilities need to be delivered once and at a national level for the benefit of all and which capabilities need to be replicated at a regional or local level.

### **Leading the national response to SOC**

Feedback from partners through the national meeting structures continued to provide a positive picture at regional and national levels of the effectiveness of the NCA in leading, supporting and coordinating the response to serious and organised crime. This year a joint NCA/National Policing Crime Business Area approach to delivering a consistent set of capabilities, processes and approaches to the regional tier of organised crime was agreed. The NCA has also launched a review to examine and assure the SGGs and Strategic Action Plans; and to further define roles, responsibilities and monitor progress and performance.

#### **Pursue**

In July, the NCA announced that over the previous four-month period, 660 individuals had been arrested in an unprecedented High Priority CSEA operation coordinated by the NCA and involving 45 police forces across England, Wales, Scotland and Northern Ireland. By year end, the number of arrests had risen to 744 with more than 500 children across the UK either safeguarded or protected. Some of those arrested had unsupervised access to children in the course of their work. They included doctors, teachers, scout leaders, care workers and former police officers, the majority of those arrested had not previously come to law enforcement’s attention.

## Specialist national capabilities

The NCA continued to share and deploy its own specialist assets and capabilities in support of UK operational partner activity. These assets and capabilities fall into three groups:

- *Dynamic protection and crime disruption*: Armed Operations Unit; Operations and Tactics; Threat to Life Unit; Anti-Kidnap and Extortion Unit (AKEU); Vulnerable Persons Team; UK Protected Persons Service; and the Risk Management and Assessment Team;
- *Technical and scientific support*: Technical Operations; Aerial Surveillance Unit; Forensics (including Digital Forensics); and the Meridian UK System Administration Centre; and
- *Skills and specialist crime advice*: Specialist Operations Centre; Crime Operational Support; Serious Crime Analysis Section; and Expert Evidence.

This year the NCA's AKEU received 380 reports of kidnap, 221 of blackmail and 14 of product contamination. Some of the cases which the AKEU was involved were:

- The kidnap of a Lithuanian female from the London area who was taken to Scotland, reported by the PSNI. The NCA tracked a mobile phone linked to the hostage and she was safely recovered by Police Scotland;
- The allegation that a female had been taken out of the UK by her parents as a result of her relationship with a male that was not approved by her family, reported by Kent Police. She was able to contact her boyfriend via social media to say that she was being held at unknown location in Belgium. Contact was then made through the EuNAT network with the kidnap unit in Brussels who deployed following data collection and recovered the female safe and well; and
- A kidnap referred by South Wales Police of a British national in Egypt, who had managed to alert his neighbour in Wales of his circumstances. As a result of AKEU enquires with the authorities in Cairo a course of action was agreed that led to the safe recovery of the hostage.

The NCA's Armed Operation Unit (AOU) deployed in an armed capacity on 82 occasions this year, in activity which led to 23 arrests. 36 of the instances were with or on behalf of partners. AOU officers also deployed in a taser only capacity on 20 occasions, seven of these were on behalf of partners.

In September the NCA received a letter of thanks from Chief Superintendent Lloyd of South Wales Police in respect of NCA assistance in to a South Wales Police covert investigation into the large scale supply and distribution of controlled drugs. The letter commented that *'The professionalism displayed by those highlighted... was invaluable, with searching, exhibits officer, arresting and interviewing roles being undertaken. Their motivation and tenacity over the entire two day arrest phase gave us the ability to simultaneously search numerous addresses and secure vital evidence.'*

## Bureau Functions

The NCA provides bureau functions for, and on behalf of, partners. These include the UK Missing Persons Bureau, the UK Financial Intelligence Unit (UKFIU), and the UK International Crime Bureau (ICB).

### i) UKFIU

With responsibility for managing the Suspicious Activity Reports (SARs) regime, the UKFIU is at the heart of the UK's response to financial crime, and money laundering in particular, and provides the NCA with a core capability with which to drive this response.

The UKFIU received 366,903 suspicious activity reports (SARs) of which 13,519 were consent requests in 2014–15. Some examples of operational activity and outcomes arising as a direct result of SARs included:

- The identification of a Money Service Bureau which was processing a large number of fraudulent transactions. The owner of the business was arrested and charged with money laundering of over £1m;

- A police investigation into the laundering of the proceeds of a phishing fraud, in which over 500 fraudulent bank accounts had been opened; and
- The convictions of two individuals who ran a business purporting to be a college for overseas students, charging them up to £3,000 based on false or misleading information. Some of the funds received were recovered under PoCA and used to compensate the victims.

## ii) UKICB

The International Crime Bureau (UKICB) facilitates cooperation between UK and international law enforcement agencies. This year the UKICB received 318,570 messages relating to new or ongoing cases. Cases involving UKICB assistance include the arrest of a number of suspects for serious and violent offences, including murder and kidnap. The UKICB acts as an integrated bureau providing:

- Access to INTERPOL, the world's largest international police organisation, with 190 member countries. Within the NCA the UK International Crime Bureau provides the UK National Central Bureau for INTERPOL. This links UK police with INTERPOL's global network and serves as the contact point for all INTERPOL activities in the field;
- Access to Europol, which works closely with law enforcement agencies in the 28 EU member states and in other non-EU partner states and organisations. The UKICB provides the UK Europol National Unit which is the liaison body between Europol and the competent authorities of EU Member States; and
- The principal UK Central Authority for the handling of European Arrest Warrants (EAWs).

In February the UK was given formal approval to join SIS II (Schengen Information System II), and connection followed on 1 March 2015. It became fully operational just after year-end. The SIRENE Bureau supports cooperation and coordination between law enforcement agencies in the EU member states and act as the single point of contact for all exchanges of information relating to SIS II alerts. SIS II is an EU-wide database which contains data on people and objects including people wanted for extradition purposes. The SIRENE Bureau and access to SIS II will enhance the ability to protect the UK and its citizens, providing, for the first time, real time access to its data.

Some notable cases dealt with by the UKICB this year included:

- the arrest and return to the UK of a high risk sex offender who was travelling to the Philippines via Vietnam; and
- the arrest of one of the NCA's most wanted fugitives who was facing a charge of conspiracy to import cocaine. He was apprehended trying to enter the UK in a light aircraft at a rural airfield in Norfolk. He pleaded guilty and was sentenced to 14 years' imprisonment.

## EAW Campaigns

In March, ten new names were published in the ninth appeal under Operation CAPTURA, which seeks information regarding UK wanted subjects who are believed to be in Spain. At 31 March, 66 of the 86 publicised fugitives had been arrested and returned to the UK to face justice. The individuals in the most recent campaign included a convicted killer and a convicted rapist. Amongst the other serious offences for which the men were sought included indecent assault of a child and drug trafficking. Within days of the launch, a CAPTURA subject – previously convicted of manslaughter – was arrested in Fuerteventura as he attempted to board a flight to Ireland under a false identity.

Operation ZYGOS, a similar campaign targeting fugitives believed to be in Cyprus, was re-launched in April, with six new names and five reissued names. A ZYGOS subject, Martin Evans, was returned to the UK in October, after being arrested in South Africa. He had been on the run since 2011, when he failed to return to custody after being released on licence. The NCA alerted INTERPOL that Evans was believed to be in South Africa and he was put under surveillance and subsequently arrested in Johannesburg.

### **iii) UK Missing Persons Bureau**

The UK Missing Persons Bureau (UKMPB) received 10,082 notifications of missing persons from UK police forces this year and made 8,938 contacts with the police offering investigative and forensic support and advice in relation to these cases. 161 police force alerts were published, 497 cross-match searches<sup>11</sup> and 1,324 open source searches were conducted by UKMPB. Around 60% of the unidentified body/remains cases reported to UKMPB over the year were resolved and the UKMPB found 50 missing people through its own investigations.

Some examples of cases involving the UKMPB were:

- the identification of a British man found dead on a beach in Spain and the tracing of his next of kin in the UK;
- a cold case review leading to the identification through familial DNA comparison of a body found in Hastings in 1997 as being that of a man missing from Humberside since 1996; and
- the identification of a man who had drowned in Scarborough in 1989 and who was featured on the UKMPB website.

In May the NCA supported the charity Parents and Abducted Children Together (PACT) in the launch of a new child abduction hub. The new purpose-built website provides vital information and advice on all types of child abduction and helps parents understand how to keep their children safe. The creation of the hub followed the joint PACT and CEOP report 'Taken – a study of child abductions in the UK', published in May 2013. The report concluded there was a need to revamp out-of-date 'stranger danger' warnings, after findings showed that in 42 per cent of police reports studied, the abductor or would-be abductor was not known to the child.

In the same month, the NCA and the charity Missing People announced the re-launch of the Child Rescue Alert (CRA) system. Recognising that every minute after their disappearance is crucial to bringing a child home safely alerts can be issued immediately through a variety of means including SMS email and social media. Through the NCA, police forces across the UK can request the public's support with an investigation in a safe way, using the very latest technology. In March Nottinghamshire Police issued a CRA in respect of a 14-year-old girl from Nottingham who went missing from her home early one morning. She was subsequently found safe and well.

### **iv) UKPPS**

The NCA hosts the Central Bureau (CB), which is the recognised headquarters of the UK Protected Persons Service (UKPPS). The UKPPS is delivered across the UK by 12 separate police units, namely the ten ROCUs, the PSNI and Police Scotland, but coordinated through the NCA, in order to strengthen the fight against serious and organised crime.

In May, legislation governing protected persons was expanded to allow protection arrangements to be made for any person deemed to be at risk; this could include, for example, victims of honour-based and domestic violence. The application of acceptance criteria ensures that protection measures are provided only in the appropriate circumstances.

The CB provides strategic, operational and practical support to partners and stakeholders at pertinent points throughout the process of making protection arrangements for witnesses and other vulnerable people. The CB undertakes a coordination role, maintains standards, is responsible for the development and delivery of all protected persons training and acts as the single point of contact for all international protection matters.

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<sup>11</sup> Searches seeking matches between missing persons and found bodies on the UKMPB's database.

## v) Organised Crime Command Specialist Operations

The NCA's Organised Crime Command Specialist Operations comprises the Specialist Operations Centre (SOC), Crime Operational Support (COS), the Serious Crime Analysis Section (SCAS) and Behaviour and Disruption.

This year, Specialist Operations, Crime provided support in the following instances:

- 585 in support of murder investigations;
- 328 in support of rape investigations;
- 403 in support of sexual offence investigations;
- 232 in support of suspicious/unexplained death investigations;
- 477 in support of covert operation; and
- 4,127 in support of vulnerable victims and witnesses.

Also this year, Specialist Operations, Crime resources were deployed in both NCA-led and partner-led operations on 827 occasions. These included:

- providing investigative advice and support in the early stages of a murder investigation, focusing on protecting life; locating the suspect; and making enquiries with the suspect's family. Assistance was also provided in terms of the media strategy, since the suspect suffered mental ill health. He was charged with murder and attempted murder in relation to a stranger assault on a lone female.
- supporting an investigation into a series of sexual assaults committed on sex workers. The offender was identified and convicted and sentenced to a total of 29 years' imprisonment.

In addition to this SCAS received 2,028 actionable submissions from UK police forces in relation to offences of stranger rape, serious sexual assault and sexually motivated murder and there were 47 separate deployments of experienced senior crime analysts into operational teams to support investigations 'on the ground'.

Examples of SCAS activity included:

- a comparative case analysis of an unsolved rape leading to the identification of a significantly similar case from a different force area, which would not otherwise have been identified;
- the analysis of a series of three rapes occurring within one force area and the subsequent identification of a link to a suspect from another part of the UK with a similar description and a geographic link to the area;
- the provision of the identity details of a stranger rapist who had been dealt with for an earlier sex offence – a photo identified on PND was sent to force and matched CCTV images of the suspect; and
- comparative case analysis in a rape case highlighting the previous arrest of the suspect for rape in 2003, of which the force was unaware. This enabled the force to continue with the case, resulting in a conviction and a sentence of 12 years' imprisonment.

## Reputation at local, regional and national levels

In its report, HMIC found that the NCA inherited weaknesses in its relationships with UK police forces from its precursor agencies. But HMIC was satisfied that, at the time of the inspection, significant work was already underway to improve this position and that considerable improvement had been made to key partner relationships including those with forces.

In March, the Police and Crime Commissioner for Avon and Somerset wrote to the Director General to express her thanks for NCA support in the case of missing teenager Becky Watts, commenting that *'those involved in the investigation were able to count on support from a number of police forces and specialist agencies and I know from speaking to senior officers that this help was of immeasurable value to them. I believe that the response to this case will remind our communities that not only in Avon and Somerset but across the wider policing family we have the resources, skills and expertise to take on significant*

*investigations. Importantly it will help increase their confidence in policing locally and your organisation's contribution has helped us achieve that.'*

Feedback received through the national meeting structures such as those outlined earlier in this report provides a positive picture at regional and national level of the progress the NCA has made in leading, supporting and coordinating the response to serious and organised crime.

The NCA's partnership with the Metropolitan Police Service (MPS) – formerly known as the Middle Market Drugs Partnership – was refreshed this year, to reflect its expanded responsibilities, which extend beyond drugs. It became known as the NCA/MPS Organised Crime Partnership. Results this year included:

- An investigation into the smuggling of 28 tonnes of cannabis into the UK resulting in the conviction of two men;
- The convictions of eight Albanian men involved in a drugs ring which laundered hundreds of thousands of pounds leading to sentences totalling 53 years; and
- Bringing charges against two men in connection with the supply of cocaine. The investigation led to the seizure of a handgun and ammunition, as well as six kilograms of cocaine, around £100,000 in cash and drug cutting and packaging equipment.

This year the NCA received many very positive comments from partners, particularly at a national level. Some of the comments are reproduced below.

*"We have experienced a genuine 'reaching out' from the NCA to engage with us both on strategic and working levels. I am keen to ensure that as these relationships continue, they translate into a very real and tangible contribution to the UK's fight against Serious and Organised Crime."*

Michael Spurr, Chief Executive, National Offender Management Service.

*"As close partners...we heartily endorse your direction of travel. Personally and corporately we are also deeply committed to working together and supporting you and the NCA, helping your people develop the world-class skills and capabilities that make a critical and strategic difference to crime and national security.....congratulations on the tremendous achievements of your first full operational year. Whilst there have been some good operational stories, the most notable impact from our perspective is the transformational change that we have seen in the national approach to law enforcement. The agenda is more strategic and purposeful, with an evidence base to support analysis of the problem, and more effective mechanisms to drive solutions...We look forward to an exciting and productive year ahead."*

Robert Hannigan, Director, GCHQ.

*'The participation, input, dynamism and endless support to INTERPOL by the UK National Crime Agency during the preparation phases and the first two weeks of December 2014 set the critical framework for achieving very impressive results, including the seizure of more than 34 tons of narcotics, multiple arrests and the closure of numerous laboratories.'*

Jurgen Stock, Secretary General, INTERPOL.

At an international level the NCA provided subject matter expertise to the UK/US taskforce for developing new and innovative technological solutions to counter online child sexual exploitation. The agency also worked to promote an increase in the take up of the International Child Protection Certificate (ICPC) and the International Child Protection Network (ICPN). There continues to be a high take up of the ICPC and linking ICPNs in with international partners identified through the TCSO Threat Group.

## Effective partner in effort to collect unpaid confiscation orders

The dedicated Asset Confiscation Enforcement (ACE) team was set up in the NCA's Economic Crime Command in January 2014 to provide national coordination of activity across the agency and with partners in tackling unenforced confiscation orders and prioritising the orders of the most serious criminals. This year the team increased in size, due to the NCA's commitment for continuous disruption against those who do not co-operate with the confiscation regime. The team continued to take a pragmatic approach, prioritising those cases which were realistically enforceable, not just those of substantial value. At 31 March, 168 cases were being monitored and reported into the NCA monthly by partners including HM Courts and Tribunals Service (HMCTS), the CPS and the SFO. By that date £5.9m from NCA priority cases had been recovered as part of the £38,278,841.34 national total collected during 2014–15.

With its partners in the HMCTS and CPS, the NCA is determined to make sure confiscation orders are paid or default sentences are served. For example, an enforcement hearing took place in January at Westminster Magistrates' Court regarding a non-settled POCA confiscation order made in 2013 against Raymond Thomas, following a financial investigation. The District Judge was not content with the explanation provided by the individual as to why the order was not settled and invoked the default sentence. Thomas was sentenced to an additional two and a half years to be served consecutively to his sentence for drugs importation. He had been given six months to pay initially, which was extended by a further six months, to the maximum allowed under POCA. His time to pay expired in October 2014. In June 2012, Thomas had arranged for and funded two couriers to travel to Grenada and collect cocaine, concealed in waistbands of trousers, and return to the UK. He pleaded guilty to importation offences and was sentenced to over six years imprisonment.

## International partner support

The NCA's International Liaison Officer (ILO) network continued to coordinate joint activity and intervention and facilitate the exchange of intelligence upstream.

Some examples of operational activity overseas this year:

- An NCA-coordinated international investigation into a British man involved in child sex offences which resulted in two teenage girls being rescued from a hotel room in the Philippines in November; and
- In March, the NCA coordinated operational activity against a Ghana-based OCG which led to the seizure of 5,880 kilograms of cocaine from a warehouse in Bolivia.

### Pursue

In November, a joint operation in the Caribbean involving the NCA, the Metropolitan Police Service (MPS) and the French authorities, led to the seizure of 250 kilograms of high-purity cocaine. David Romano and Michael Ashford, both from Jersey, were arrested after their yacht was boarded by French Customs off Martinique as it began a trans-Atlantic crossing bound for the UK. On board officers found around quarter of a tonne of cocaine which, when cut and sold, was likely to have had a UK street value in the region of £40 million. NCA officers in the UK and abroad had liaised with international law enforcement partners in Venezuela, the Eastern Caribbean, Jamaica and the USA. The French Customs and police investigation services DNRED and OCRTIS were then involved in making the seizure. Romano and Ashford were on board the vessel when it was intercepted. In January 2015 Romano and Ashford, members of a Priority Group, were sentenced to a total of 17 years' imprisonment.

Enhanced international collaboration remains at the heart of the NCA's efforts to tackle cyber crime. To date this has seen the development of key strategic working groups, bilateral relationships and a

collaborative investigative response. The establishment of the Joint Cybercrime Action Taskforce (J-CAT)<sup>12</sup> represented the next phase of this mission, and the Taskforce seeks to proactively drive intelligence-led, internationally coordinated activity against the most significant cyber crime threats, subjects of interest and infrastructure.

The NCA, as Chair of the J-CAT Board, oversaw the establishment of the six-month J-CAT Pilot in September and the initial selection of operational activity. Current operational activity focuses on key cyber crime threats including malware, bullet proof hosting and common enablers within the cyber crime marketplace.

Participating in the J-CAT has enhanced the NCA's ability to tackle the most significant cyber threats impacting on the UK, with improved cross-border working and more dynamic coordination of international resources. This has directly addressed some of the "lessons learned" from previous internationally-coordinated operations, including the lack of dynamic 24/7 data sharing arrangements between global partners, which created delays in previous investigative activity. Following this success, the J-CAT project has been extended and its future has been agreed until September 2017.

In May the NCA hosted the Five Eyes Law Enforcement Group (FELEG) in London. The core objective of the FELEG (previously known as the Strategic Alliance Group) is to reduce the threat of global organised crime and its international impact. The FELEG comprises national law enforcement agencies from the UK, America, Canada, Australia and New Zealand. The heads of agency are the 'Principals' of the group who meet on an annual basis in order to discuss priorities and identify opportunities for closer working partnerships. Key successes for the FELEG centred around setting the direction and strengthening collaboration on issues such as Information Sharing, Cyber Crime, Proceeds of Crime and Technical Development. The NCA currently holds the Chair for the FELEG and will also host the 2015 Principals' meeting, after which time the Chair role will transfer to the Director FBI James Comey.

NCA engagement with the Afghan authorities around organised immigration crime (human trafficking and people smuggling) emanating from Afghanistan led to the formation of a number of specialist investigation units focused on understanding and tackling the threat. This included closer scrutiny of the money exchangers that hold funds on behalf of illegal migrants until they reach their destination. The NCA brokered initial meetings with Greek law enforcement counterparts this year to discuss opportunities for closer working.

## **Other partner support**

Phase one of the NCA's Operation STOVEWOOD included the coordination of a review of existing current South Yorkshire Police investigations into CSEA in Rotherham. This review was conducted in February and March 2014 with the outcomes presented to the force shortly afterwards. All 48 recommendations of the review team were accepted by South Yorkshire Police.

Phase one also involved the identification, collection, recording and analysis of relevant material held by South Yorkshire Police and other bodies in order to establish the nature, scale and requirements of a future NCA investigation.

Operation STOVEWOOD established effective working relationships with other bodies appointed to investigate related matters in Rotherham, such as the Independent Police Complaints Commission (IPCC) investigation into alleged police misconduct, and continued to ensure that victims and witnesses are listened to and provided with appropriate support.

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<sup>12</sup> The J-CAT is hosted on the Europol estate in The Hague and consists of 13 officers on attachment from a range of global partners including European law enforcement, the USA and Australia. The NCA officer attached to J-CAT is funded by the National Cyber Security Programme.

The Cyber Security Challenge (CSC) is a joint industry and government initiative to identify hidden cyber security talent in the UK. It comprises competitions, networking events and learning programmes throughout the year, culminating in a three day Masterclass where the ultimate winner of the year's series of competitions is announced. The CSC supports the ambitions of the wider National Cyber Security Programme to address skills shortages and recruitment issues within the cyber community. The NCA, along with GCHQ and industry partners, sponsors CSC through funding and designing and implementing various stages of the challenge. This year, the CSC attracted positive national media interest and directly led to the recruitment of four NCA Specials who were masterclass finalists.

Collaboration between the British Association for Shooting and Conservation (BASC), the National Crime Agency (NCA) and the police resulted in the publication by BASC of firearms security advice for firearms certificate holders on protecting their firearms from theft. The advice, *Protect Your Firearm, Protect Your Sport*, shares tips with certificate holders on storage and transportation and on keeping vigilant when out and about and shows the steps that can be taken to avoid being targeted via social media. The advice was produced as part of a national initiative to reduce the chances of theft of firearms from licence holders and thereby prevent firearms from ending up in the wrong hands.

## KPQ4 – How effectively does the NCA manage resources?

**NCA Vision** – *An agile and flexible agency with well-led and highly motivated officers having access to the capabilities required to identify and disrupt serious and organised criminals and their groups.*

The NCA continued to progress work through its overarching change programme to ensure its resources are well managed and optimally deployed. The programme continued to be delivered from existing resources. As well as Board level changes, this year saw changes to the executive leadership of the agency, resulting from a review by the Novo programme. A new Chief Information Officer with technology and commercial experience was appointed as an internal adviser to the Board.

### NCA's change programmes

The NCA inherited information technology and systems from its precursors which do not align with the agency's requirements. The NCA's ICT modernisation programme, which was put in place to address these challenges, continued to be a high priority for the programme of change in 2014–15. Roll-out of the modernised desktop was over halfway through by year end.

The publication of the Novo Blueprint signalled the transition from the *DEFINE* stage of the NCA's operational transformation programme to the *DESIGN* and *DELIVER* stages. In addition to the strong focus on the definition and delivery of a new operational model, the three enabling programmes – People, Science and Technology, Estates – were further aligned to ensure the effective management of interdependencies across the Novo Programme.

The end of 2014–15 saw the completion of the first phase of Novo, which included Home Office certification of the NCA's National Confidential Unit, referred to earlier, and the delivery of a range of new operational and ICT capability. The NCA's Innovation Centre, established this year under the Novo Programme, will primarily engage in initiatives intended to address challenges encountered during high priority investigations focusing on organised criminal groups that have proven impervious to current law enforcement tactics and techniques. The Innovation Centre will work collaboratively with internal and external partners, such as the private sector and academia, to identify, assess and exploit new technologies, methodologies and capabilities that will transform the way in which the NCA operates.

### People

The NCA's ambition is to develop a workforce that is flexible, responsive and meets the skill requirements to develop the agency's capabilities, capacity and response to its strategic ambitions. The organisational structures and shape of the agency have been remodelled to drive greater flexibility in the operational and capabilities Commands, while at the same time reducing the number of officers at middle and senior management levels. These design principles established broader spans of supervisory control, reduced bureaucracy and duplication, and encouraged new ways of working. The rebalancing of operational pay budgets also enabled a priority-based approach to resourcing allocation.

The reshaping exercise was achieved by careful management of a voluntary exit scheme, this enabled 435 officers to leave the agency, whilst 272 new NCA trainees were recruited through investigatory or intelligence pathways.

Powers for NCA officers continued to be granted on the basis of need and at year end, just over 2000 NCA officers had powers. During its inspection HMIC found that the number of officers with powers '*provides the NCA with a significant crime-fighting capacity*'.

The NCA Civil Service People Survey, carried out this year showed mixed responses. Encouragingly, officers reported a strong sense of purpose and teamwork and recognition that the NCA is an inclusive employer. It was clear however, that officers wanted to see improved communication and more visible leadership, both in terms of key messages and direction coming down from the Board and senior management, and opportunities for feedback to senior management. This is particularly the case given the significant changes that are going on across the agency. The Board was clear that the results were disappointing and took responsibility for action taken to address the results of the survey. In January, the Director General began a series of meetings with a cross section of officers to discuss and explore constructive ideas for improvement. In addition, Deputy Directors were tasked to look at the results for their respective areas and establish the findings behind the results, putting into place mechanisms to address them.

A new performance management framework was developed over the course of the year and informed by feedback from several pilot sessions across the NCA. The sessions included discussions about objective setting, the standard setting meeting and the behavioural framework. The NCA continued to work with ROCUs and the Home Office to ensure all performance frameworks being developed for reporting serious and organised crime were aligned with consistency and common terminology and understanding.

In February the Director General and the Home Office Minister with responsibility for the NCA – Karen Bradley – gave evidence to the NCA Remuneration Review Body (NCARRB). The NCARRB was established as the independent mechanism to review and advise the Government on the pay and allowances of NCA officers designated with operational powers, who had their right to strike restricted in the Crime and Courts Act 2013. The NCARRB will report later in 2015.

The NCA expanded its cadre of NCA Specials – specialist volunteers with a broad range of readily available skills, knowledge and experience – who added real value to the NCA’s capabilities. By the end of the year the NCA had 37 Specials making a very positive contribution to its mission to lead the fight to cut serious and organised crime. A successful pilot programme was carried out to identify Specials with particular expertise to complement cyber-related operations.

## **NCA Estate**

The rationalisation and upgrading of the estate inherited by the NCA in October 2013 continued with the closure of some sites this year, and decisions taken to close others. The NCA aims to provide an estate which enables its officers to work securely, flexibly and efficiently. This includes establishing shared sites with police counter-terrorist units and ROCUs wherever possible, in line with the principles of the UK Serious and Organised Crime Strategy and in order to maximise economies of scale; opportunities to share equipment; and improved collaboration. At year-end co-location projects in Wales, the East Midlands and the Eastern Region were at an advanced stage and plans had been initiated for co-location in the South East and West Midlands.

## Commercial Sense and Sound Financial Management

The NCA Audit and Risk Assurance Committee (ARAC) comprises NCA non-executive Directors, one of whom is Chair. The ARAC met regularly to review the comprehensiveness and reliability of assurance on governance, risk management, the control environment, and the integrity of financial statements. In line with HM Treasury guidance, the ARAC reports quarterly to the Director General in his role as Accounting Officer, and to the NCA Board, but has no executive responsibilities. The ARAC provides independent oversight and is responsible for advising the Board and Accounting Officer on a number of issues, including:

- the strategic processes for risk, control and governance and the governance statement;
- the accounting policies, accounts, and the Annual Report of the NCA, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;
- the planned activity and results of both internal and external audit;
- the adequacy of management response to issues identified by audit activity, including external audit's management letter; and
- the assurances relating to the management of risk and corporate governance requirements for the NCA.

The NCA received an unqualified audit opinion for its 2013–14 statutory accounts. A new streamlined risk management framework was introduced in January to ensure that risks were managed at the most appropriate level. A central risk management team engaged across the agency to support compliance with the new framework.

Throughout the year, NCA Commercial provided support in choosing the right suppliers for the organisation, ensuring procurement was legally compliant, and getting the best value for money for the agency.

## National Cyber Security Programme

The NCA's National Cyber Security Programme (NCSP) allocation helped to transform and develop the NCCU and wider cyber capability across the NCA. It enabled the NCA to continue to deliver a substantial programme of transformational change to improve the agency's capabilities to tackle cyber crime threats more effectively. This included enhanced technical capabilities to gather intelligence, an uplift in digital forensics capabilities, delivering a comprehensive programme of specialist cyber training and an infrastructure programme to build the NCCU's national footprint across the UK.

The NCCU continued to work with international partners to share intelligence, build capability and increase collaborative efforts and joint operational activity. In March, the NCCU hosted an E-Crime Congress which brought together over 100 delegates from 28 countries. Linked to the Congress was training delivered by NCCU officers to international law enforcement partners in matters such as forensics, prevent and disruption techniques and covert investigation.

# Scotland and Northern Ireland

## Scotland

The NCA continued its active participation within the strategic framework for tackling organised crime in Scotland, which includes membership of the Scottish Government chaired Serious Organised Crime Taskforce and its sub groups. The NCA is also a member of the Police Scotland Serious Organised Crime Board.

The NCA ensures that its activities are aligned with the objectives of the Scottish Government's strategy for tackling serious organised crime: 'Letting Our Communities Flourish'. This strategy is currently under review and the NCA has engaged in the partner consultation process.

In February the NCA signed a Strategic Partnership Agreement (SPA) and Information Sharing Agreement (ISA) with Police Scotland. The SPA formalises the NCA's existing partnership with Police Scotland. It is designed to operate in conjunction with '*The NCA Commitment to Working in Partnership with UK Operational Partners*', supplementing the legal framework within which the partnership operates and setting out the underlying strategic principles which support and develop this relationship. The ISA sets out the legislative framework and principles which govern information sharing between the parties.

To support top-tier criminal investigations in Scotland, the NCA provides partners with access to its extensive range of capabilities, many of which are not otherwise available to law enforcement in Scotland. For example, the NCA provided the following specialist support to the Glasgow Commonwealth Games under Campaign Cathures in the summer of 2014:

- bulk data matching in relation to accreditation checks on 105,080 individuals, in support of the Accreditation Clearing House;
- NCA officers from the NCCU deployed to the multi-agency Cyber Hub for the duration of the Games;
- the AKEU delivered training exercises to food sponsors, health protection and Police Scotland; and
- an NCA air support plan was established in order to satisfy operational planning for the Games.

This year also saw the official opening of the Scottish Crime Campus (SCC) at Gartcosh. The NCA's co-location with Police Scotland, the Crown Office and Procurator Fiscal Service (COPFS), HMRC and Forensic Services provides opportunity for improved intelligence exchange and pooling of resources to jointly tackle the threat from serious and organised crime.

For example, investigators from the NCA and Police Scotland formed a new Joint Intelligence Development Unit (JIDU) with a focus on emerging OCGs which impact on the communities of Scotland. The team shares its systems, experience and resources within an environment of openness and trust. The work developed by the JIDU has led to a number of successful operations within its first year.

The NCA has a Border Investigation Team at the SCC, with the statutory function to investigate the importation of illicit goods as set out under the Customs and Excise Management Act. This team works with Border Force and Police Scotland to ensure that intelligence and investigative opportunities are exploited in respect of detected illicit importations that are destined for Scotland.

The following case studies demonstrate the value of strong partnership working to tackle OCGs, who commit high level criminal activity across both national and international borders:

- In April and May a number of individuals, including two from Scotland, received lengthy prison sentences for their part in an OCG engaged in the importation and distribution of Class A drugs. The OCG had a national and international dimension with links to Belgium, the Balkans and South America. A significant Scottish individual was identified as being integral to the OCG's plans to import drugs. The NCA operational team worked in close partnership with Police Scotland officers to examine the role of the Scottish individual. Throughout the operation the NCA provided a variety of specialist officers to support, coordinate and lead on elements of the operation. The SCC ethos of working together enabled Police Scotland assistance to be easily brokered. Following a successful arrest phase of the operation in both Scotland and England, the NCA subsequently facilitated the sharing of evidence between the COPFS and the CPS to allow for the submission of bad character evidence by the CPS case team.
- In December, two Dutch members of a Priority Group were found guilty of conspiracy to import cocaine following a four-week trial at Leeds Crown Court. They were sentenced to 20 and 16 years' respectively. Earlier in the year Henri Van Doesburg was arrested in the Netherlands, in connection with the seizure of 108 kilograms of cocaine in Scotland. He was subsequently surrendered to the UK and charged. Van Doesburg had masterminded a plan to use a high-speed underwater scooter to recover the cocaine, which was hidden in the rudder area of the Colombian cargo ship Cape Maria anchored near Hunterston in the Firth of Clyde. A specialist Border Force deep rummage team and divers from Police Scotland's Marine Policing Unit recovered the cocaine following an extensive search of the ship. They also found pieces of cut rope in the rudder area suggesting the hide had been used before. Investigators also seized the underwater scooter, a rigid hulled inflatable boat with a powerful engine, wetsuits and diving equipment. The second Dutch man, Arnold Van Milt, was arrested at his hotel in Seamill, North Ayrshire by NCA investigators following the seizure. Van Doesburg, who was in constant contact with Van Milt using an encrypted BlackBerry, had tracked the ship on his home computer.

## Northern Ireland

Last year's report set out the limitations on the NCA's ability to operate in Northern Ireland as a result of not securing a Legislative Consent Motion during the passage of the Crime and Courts Act. Discussions between the parties continued this year, leading to a significant change in the position by year-end, with the agreement to the Crime and Courts Act 2013 (NCA and Proceeds of Crime) (Northern Ireland) Order, providing the NCA with full powers in Northern Ireland from 20 May. These powers include the ability to recover criminal assets in relation to offences that are devolved and the ability to request the recovery of assets overseas in civil recovery cases. The Order makes provision for a number of measures to ensure police primacy, significant accountability and additional oversight of the National Crime Agency's use of covert techniques in Northern Ireland.

Notwithstanding the limitations on its operational activity this year, the NCA continued to participate in the Organised Crime Taskforce (OCTF) in Northern Ireland, and was represented in a range of crime related 'subject matter' subgroups of the OCTF. The NCA also contributed to the OCTF Annual Report for 2014–15.

The NCA continued to work in partnership with the Police Service of Northern Ireland (PSNI) and other law enforcement agencies to meet the objectives set out in the Northern Ireland Organised Crime Strategy 2014–2016. Over the year the NCA provided operational support to at least ten of PSNI's Organised Crime Branch and other investigations. This support was of both an overt and a covert nature across the whole of the UK and internationally.

Some examples of NCA engagement in Northern Ireland:

- In September a Danish national, resident in Mozambique, pleaded guilty to the attempted trafficking of 16 kilograms of herbal cannabis into the UK. The NCA seized the drug which had a potential street value of £320,000. The retired humanitarian aid worker was sentenced to two years' imprisonment at Belfast Crown Court and on his release faces deportation to Mozambique.
- In December the NCA obtained a Consent Order in Belfast High Court against the assets of an alleged County Armagh drug trafficker. In its civil recovery claim the NCA alleged that Alan Johnston had derived assets through unlawful conduct, namely drug trafficking and mortgage fraud. Caroline Johnston, his spouse, was also alleged to have committed mortgage fraud. The couple agreed to settle the NCA's civil recovery claim by handing over a property in County Fermanagh and the proceeds of sale of another property in County Armagh.

# Glossary

ACE	NCA's Asset Confiscation team
ACU	Anti-Corruption Unit
AKEU	Anti-Kidnap and Extortion Unit
BPC	Border Policing Command
CEOP	Child Exploitation and Online Protection Command
CFI	Criminal Finance and Investigation unit (formerly of UK Border Force)
COPFS	Crown Office and Procurator Fiscal Service
CPS	Crown Prosecution Service
DWP	Department for Work and Pensions
EAW	European Arrest Warrant
ECC	Economic Crime Command
FIU	Financial Intelligence Unit
FRO	Financial Reporting Order
HMIC	Her Majesty's Inspectorate of Constabulary
HMRC	Her Majesty's Revenue and Customs
ICPC	International Child Protection Certificate
IE	Immigration Enforcement
ILO	NCA International Liaison Officer
NCARRB	NCA Remuneration Review Body
NCCU	National Cyber Crime Unit
NCS	National Control Strategy
NFA	National Fraud Authority
NFIB	National Fraud Intelligence Bureau
NOMS	National Offender Management Service
Novo	The NCA's agency-wide programme of transformation
NSA	National Strategic Assessment - the objective picture of serious and organised crime affecting the UK and its interests.
NSTCG	National Strategic Tasking and Coordination Group
NTTCG	National Tactical Tasking and Coordination Group
NWCU	National Wildlife Crime Unit
OCC	Organised Crime Command
OSCC	Organised Crime Coordination Centre
OCG	Organised Crime Group
OCGM	Organised Crime Group Mapping
OCTF	Organised Crime Task Force (Northern Ireland)
PCeU	Police Central e-Crime Unit
PSNI	Police Service of Northern Ireland
ROCC	Regional Organised Crime Coordinator
ROCU	Regional Organised Crime Unit
SCPO	Serious Crime Prevention Order
SGGs	Strategic Governance Groups
SOC Strategy	Serious and Organised Crime Strategy
SOCA	Serious Organised Crime Agency
TRO	Travel Restriction Order
UKICB	UK International Crime Bureau

# NCA Output Data

## 1. NCA Casework

UK arrests	2,171
UK convictions	475
International arrests	1,219

## 2. Disruptions

Major impact	89
Moderate impact	280
Minor impact	538
<b>Total Disruptions</b>	<b>907</b>

## 3. Drug interdiction (in tonnes, unless otherwise specified)

Cocaine	70.8
Heroin	4
Opium	13.6
Ecstasy	15 kg
Other Class A	196 kg
Ecstasy tablets	85,997
Other Class A tablets	35,840
Amphetamine	843.5 kg
Cannabis (plus 631,005 plants)	148.9
Cutting agents	849.6 kg

## 4. Asset recovery

### i) Assets Assessed

Confiscation Orders obtained	£12,664,543
Number of Orders	147
Civil Recovery Orders (Gross)	£17,803,940
Number of Orders	13
<b>Assets Assessed – Total</b>	<b>£30,468,483</b>

### ii) Assets Recovered

Confiscation Orders enforced	£11,191,266
Number of Payments	1,485
Cash Forfeitures released	£3,241,847
Number of Cash Forfeitures	103
Civil Recovery and Tax receipts	£10,031,206
<b>Assets Recovered – Total</b>	<b>£24,464,319</b>

<b>iii) Assets Denied</b>	
Cash Seizures Value	£6,310,829
Number of Seizures	212
Restrained Assets (Gross)	£24,987,900
Number of Orders	31
Assets Frozen (Gross) (Civil & Tax)	£12,011,433
Number of Orders	9
<b>Assets Denied – Total</b>	<b>£43,310,162</b>
<b>iv) International Assets Denied</b>	<b>£96,319,455</b>

## 5. Firearms, ammunition and weapons interdictions<sup>13</sup>

Firearms (guns)	138
Firearms (other)	765
Ammunition recovered	9,576
Other weapons	31

## 6. CSEA

CSE Bureau referrals	12,598
Children safeguarded as a result of NCA activity	1,570
Children protected as a result of NCA activity	211
ThinkUKnow Programme:	
i) Primary school children reached	1,556,008
ii) Secondary school children reached	1,683,478

## 7. Ancillary orders

SCPOs obtained	31
FROs obtained	4
TROs obtained	0 <sup>14</sup>
Other ancillary orders <sup>15</sup>	28

## 8. EAWs executed<sup>16</sup>

Part 1 (wanted from the UK)	1,586
Part 3 (wanted by the UK)	161

<sup>13</sup> Firearms (guns): All types of guns including replica and imitation guns

Firearms (other): All other types of firearm (not guns) as defined in the Firearms Act 1968 for example CS gas, tasers, stun guns.

<sup>14</sup> TROs are rarely used, since the restrictions included in a TRO can also be addressed by way of a SCPO.

<sup>15</sup> Includes compensation orders and disqualification from being a company director.

<sup>16</sup> An EAW executed is one where the individual has been arrested.

## 9. Other data

Threats to life averted	131
Firearms deployments	82
Reported kidnaps	380
Reported cases of blackmail	221
Reported cases of product contamination	14
Irregular Migrants detained	251
Passports seized	1,256
Other documents seized	40,204
Counterfeit currency seized (face value)	£2,694,369
NCA Assessed Reports	78
NCA Alerts	47
Subject Access Requests received	34

# Management Commentary

## Strategic Report

### Statutory Background

The National Crime Agency (NCA) is a non-ministerial department, funded directly from Parliament via the supply estimate. The NCA also receives funding for ring-fenced projects from other government departments, and contributions from the Scottish Government and the Police Service of Northern Ireland. These Accounts have been prepared in accordance with the Crime and Courts Act 2013 and the Government Resources and Accounts Act 2000 (GRAA), section 5(2).

The Director General of the NCA is appointed by, and directly accountable to, the Home Secretary and, through the Home Secretary, to Parliament. The Home Secretary determines the strategic priorities for the NCA and, with the support of Home Office officials, holds the Director General to account for the effective discharge of the NCA's functions. The Director General has independent operational command of NCA activities. He is responsible for determining operational priorities for the NCA, in line with the strategic priorities set by the Home Secretary and all decisions about which operations to conduct and how they should be conducted. Also, he has direction and control over all the NCA officers and is responsible for the appointment of other NCA officers and for designating officers with operational powers. As Accounting Officer, he is responsible for the NCA's expenditure and accounting arrangements. The Director General chairs the NCA Board which comprises both senior operational leaders of the NCA and non-executive members.

The published Framework Document for the NCA sets out in more detail the role and responsibilities of the Home Secretary and the Director General of the NCA. A copy of the framework document can be found on [www.gov.uk/government/publications/framework-document-for-the-national-crime-agency](http://www.gov.uk/government/publications/framework-document-for-the-national-crime-agency).

In June 2011, the Government published its plan for the creation of the NCA. The Crime and Courts Act 2013, which included the creation of the NCA, secured Royal Assent on 25 April 2013 and the NCA came fully into being on 7 October 2013. At that time, the Serious Organised Crime Agency (SOCA) and Police Central e-crime Unit (PCeU) ceased to exist and the Child Exploitation and Online Protection (CEOP) Centre became the CEOP Command of the NCA.

The NCA assumed its statutory functions on 7 October 2013. The NCA brought together officers from SOCA, CEOP, PCeU, the NPIA, the Criminal and Financial Investigation (CFI) Border function of the Home Office and the National Fraud Authority (NFA).

## Statement of Purpose and Vision

The NCA is a UK wide, intelligence-led crime-fighting agency, with a visible national profile, international reach and a mandate to lead the fight to cut serious and organised crime. The NCA has a wider remit than its precursors to tackle serious and organised crime, strengthen the UK's borders, fight fraud and cyber crime, and protect children and young people from sexual abuse and exploitation. It provides leadership in these areas through the following:

- CEOP Command (CEOP);
- Economic Crime Command (ECC);
- Intelligence and Operations (including the Border Policing Command);
- National Cyber Crime Unit (NCCU); and
- Organised Crime Command (OCC).

The National Intelligence Hub provides access to a wide range of intelligence and information, analysing it to produce a single comprehensive assessment of the threat and identifying opportunities to cut serious and organised crime in the UK.

The Home Secretary sets the NCA's strategic priorities and holds the Director General to account for the discharge of NCA functions. The Home Secretary's priorities, which inform NCA planning were set at the commencement of the NCA and are:

1. The first priority of the Serious and Organised Crime Strategy is the highest priority for the NCA: to identify and disrupt serious and organised crime including by investigating and enabling the prosecution of those responsible ('Pursue'). The NCA will coordinate this work, leading and supporting operations across five main areas: organised crime; cyber; economic crime; child sexual exploitation and serious and organised crime at, and crossing, our borders.
2. The NCA will support and, where appropriate, lead cross-Government work, locally and nationally, to deliver the three other priorities in the Serious and Organised Crime Strategy: to strengthen protection against and reduce the impact of serious and organised crime ('Prepare' and 'Protect'); and to prevent people becoming involved in serious and organised criminal activity ('Prevent').
3. The NCA will continue to develop the technical and human capabilities to deliver these strategic priorities, enabling a step change in our impact on serious and organised criminality.
4. The NCA must maintain close, collaborative and productive relationships with the police and other law enforcement agencies, Police and Crime Commissioners, the intelligence and security agencies, Government departments (in particular with the Home Office), local government and the private and voluntary sectors, and Devolved Administrations. Subject to protective security and legal requirements, all these relationships must be facilitated by intelligence sharing and transparency regarding the NCA priorities and how these are being delivered.
5. Most organised crime has an international dimension. The NCA will maintain representation in and close relationships with priority countries as an integral part of the wider UK government approach in those countries, in order to enable the disruption of all types of serious and organised crime and the delivery of all the strategic priorities stated here.

Within that framework, the Director General sets the NCA's operational priorities. These two sets of priorities inform the ways in which the NCA leads, supports and coordinates the operational activity under the National Control Strategy aligned to the Government's Serious and Organised Crime Strategy.

The Director General's Operational Priorities, set out in the NCA Annual Plan for 2014–2015 are:

1. Through the NCA's Intelligence Hub, establish access to a wide range of intelligence and information, analyse it to produce a single comprehensive assessment of the threat and identify opportunities to cut serious and organised crime in the UK.

2. To identify and relentlessly disrupt high priority and priority serious and organised criminals and their groups that cannot reasonably be tackled by partners; for example, those with significant national and international impact, operating across several jurisdictions with a high level of criminal sophistication.
3. To tackle enablers of crime that impact across several threat areas. For example, cyber-enabled criminality where access to the hidden internet facilitates criminal acts such as illicit drugs supply, distribution of images of child abuse and the trade in stolen credit card data.
4. To develop, deploy and maintain specialist national capabilities that are not normally affordable or easily available to partners. This includes covert intelligence, technical equipment and specialist services (such as the Anti Kidnap and Extortion Unit) that will assist both the NCA and its operational partners to deliver their mission.
5. To maintain a flexible and effective overseas liaison network that provides the conduit to work upstream with international partners – to lead, support or coordinate complex international investigations and strengthen the UK's borders.
6. To become an established national leader that uses its mandate to task and coordinate and ensure that UK law enforcement is deploying its assets against serious and organised crime as effectively and efficiently as possible. The NCA will bring partners together in joint activities to ensure that the highest threats, vulnerabilities, criminals and organised crime groups are the subject of an appropriate operational response.
7. To continue to build its reputation at a local, regional, national and international level as the leader in the UK's fight to cut serious and organised crime. Through targeted communications and increased transparency, the NCA will raise awareness of the agency, its mission to cut crime and activities to deliver it.

## Principal activities

As set out in the Crime and Courts Act 2013, the NCA leads the UK's fight against serious and organised crime, with the following principal functions:

- “Crime-reduction”: securing that efficient and effective activities to combat organised crime and serious crime are carried out (whether by the NCA, other law enforcement agencies or other persons).
- “Criminal intelligence”: gathering, storing, processing, analysing, and disseminating information that is relevant to any of the following:
  - a. activities to combat organised crime or serious crime;
  - b. activities to combat any other kind of crime; and
  - c. exploitation proceeds investigations (within the meaning of section 341(5) of the Proceeds of Crime Act 2002), exploitation proceeds orders (within the meaning of Part 7 of the Coroners and Justice Act 2009), and applications for such orders.

The NCA therefore has the responsibility to lead the overall effort to tackle serious and organised crime, as well as a set of specific statutory and national responsibilities to carry out in conjunction with UK law enforcement. The NCA is not, however, restricted to responding to particular crime types or offences. It operates in response to a broad range of threats and risks, many of which also remain the responsibility of other UK law enforcement agencies.

The NCA works in close collaboration with UK police forces and other law enforcement partners, including through the two-way tasking and coordination processes. This is delivered through duties of cooperation and specific provisions for assistance and tasking between the NCA and its partners. These are normally exercised on a voluntary basis, but in the event that satisfactory voluntary arrangements cannot be made, the Crime and Courts Act provides the Director General of the NCA with the power to direct a chief officer of a police force in England and Wales and the chief officer of the British Transport Police to undertake an operational task, or to assist where necessary. There are similar reciprocal directed assistance arrangements which apply between the NCA and a number of partners (subject to consent requirements). The NCA's partnership with policing is described in *The NCA Commitment to Working in Partnership with*

*UK Operational Partners and The NCA Commitment to Working in Partnership with Police and Crime Commissioners* which were developed in consultation with operational partners and Police and Crime Commissioners.

The NCA has a range of specialised operational capabilities working across all tasked activity in the NCA and in support of partners. The NCA also provides and manages, on behalf of the UK, a number of national functions, including the SARs regime (Suspicious Activity Reports), the UK Financial Intelligence Unit, the European Arrest Warrant regime and the National Central Bureaux for INTERPOL and Europol.

## Going Concern Statement

Under the going concern assumption, an entity is viewed as continuing in business for the foreseeable future.

The Statement of Financial Position as at 31 March 2015 shows a Net Liability of £553m (2013–14: Net Liability £529m). This is largely due to a pensions liability of £675m.

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

In common with other government departments, the future financing of the agency's liabilities is to be met by future grants of Supply and the application of future income, both to be approved by Parliament.

Accordingly, it is considered appropriate to adopt a going concern basis for the preparation of these financial statements.

## Compliance with Public Sector Payment Policy

The NCA's policy was to pay all invoices within 30 days of receipt, unless a longer payment period had been agreed or the amount billed was in dispute. The NCA monitored its statistics monthly, with all departments taking action as necessary.

<b>Payment statistics at 31 March 2015</b>	<b>2014–15 %</b>	<b>2013–14 %</b>
Paid within 5 days	<b>15</b>	<b>19</b>
Paid within 10 days	<b>86</b>	<b>36</b>
Paid within 30 days	<b>96</b>	<b>95</b>

No interest was paid to suppliers during 2014–15 or 2013–14 in respect of the Late Payment of Commercial Debts (Interest) Act 1998.

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

# Sustainability Report

## Introduction

This is the NCA's first full year Sustainability Report incorporating both financial and non-financial data that relate to how the agency manages its obligations towards a sustainable environment. The Sustainability Report is aligned to the Annual Report and Accounts, and includes a detailed breakdown of data required to meet HM Treasury guidelines on Sustainable Reporting.

This report describes how continuous improvement in managing the NCA's sustainability obligations is embedded within the department's operations. We continually work to protect the natural resources that our business and wider society depend on, not least by addressing our climate change impacts, taking a sustainable approach to waste management and minimising our use of resources across all business streams.

The NCA's strategy is to cut greenhouse gas emissions from estate and business travel, and continue reducing waste, water consumption and paper usage in line with targets set within the Greening Government Commitment (GGC) to sustainable operations. The data is verified externally by the environment organisation Carbon Smart.

The Greening Government Commitments (GGC) describes the targets that central Government Departments and their Agencies must meet. Progress in 2014–15 against the GGC is set out in this chapter. This includes:

- reducing greenhouse gas emissions against the baseline;
- reducing water consumption against the baseline;
- reducing the amount of waste generated against the baseline; and
- ensuring government buys more sustainable and efficient products and engages with its suppliers to understand and reduce the impacts of its supply chain.

The January meeting of the GGC Cabinet Sub Committee agreed to extend the GGC target framework on a 'no backsliding and strive to improve' basis for one further year to ensure departments have some clarity on sustainability goals in the period until an incoming administration is able to set longer term goals. This means that all departments are expected to maintain their latest reported position against all targets as a minimum, working towards any original targets if they have not already been attained, and continuing to make improvements if they have.

There continues to be numerous significant changes in the way the NCA operates its business and estates portfolio which has enabled the department to put in place a cost effective approach to energy management.

In accordance with GGC Guidance on emissions calculations, the buildings part of this report relate only to premises for which the NCA is (or was during the report period) directly responsible for the payment of utilities. The performance calculation takes into account the size of the NCA's estate and number of employees deployed from those premises. At the end of March 2015 the NCA's estate included 26 sites located across the UK with 3,468 full time equivalent staff (FTE).<sup>17</sup> NCA Officers deployed to other locations are not included in this calculation. For the calculations such as travel, the full NCA establishment is reported.

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<sup>17</sup> This is the FTE located at sites for which the NCA is directly responsible for utilities.

## Establishing Baselines

One of the key principles of Greening Government Commitment, is the need to establish a performance baseline. The NCA reached agreement with the Department for the Environment, Food and Rural Affairs (DEFRA), who co-ordinate GGC reporting across government on the methodology, to have 2013–14 set as the baseline year for the purposes of sustainability reporting.

Prior to 2013 the agency operated to and within the GGC framework and reported via the Home Office. The NCA still operates to and within the GGC framework and reports as an independent agency to Defra. Having previously reported under the Home Office the agency was not referenced specifically in the SOGE (Sustainability of Government Estate) target which ends in 2015. On receipt and final analysis of financial year 2014–15 data (anticipated in June 2015) NCA Sustainability will recommend that the agency sets ambitious and challenging targets for the new financial year.

However, the NCA has made arrangements with DEFRA to use their environment advisors to carry out an assurance exercise verifying the NCA's 2014–15 CO<sub>2</sub>e emissions against the department's Sustainability Strategy for:

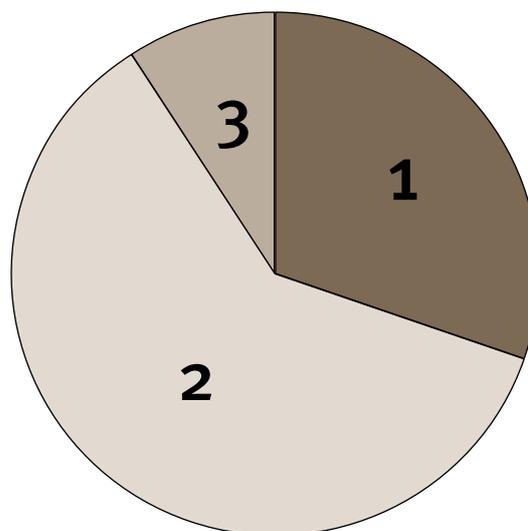
- Compliance with legal and regulatory requirements;
- How CO<sub>2</sub>e emissions from building energy use and official travel are managed;
- Fugitive emissions;
- How water use and waste is managed responsibly; and
- The NCA's engagement with suppliers and staff to support sustainability initiatives.

The verification exercise assisted the NCA to monitor the quality of data, meeting all requirements throughout the year.

The NCA reports on Greenhouse Gas (GHG) emissions in terms of scope. These are:

- Scope 1 – Direct greenhouse gas emissions are from sources owned or controlled by the organisation. For example emissions resulting from gas for heating and fuel used in our vehicles.
- Scope 2 – Indirect emissions are from the usage of purchased electricity.
- Scope 3 – Other indirect emissions are a consequence of our actions but occur at sources which are not owned or controlled directly by us and are not classed as scope 2 emissions. Currently we only report on emissions from business travel.

Scope 1: (Energy: gas; Travel: Fleet vehicles)  
Scope 2: (Energy: electricity)  
Scope 3: (Travel: rail, air, hire/private vehicles)



## Summary of Performance

All tables below are for the reporting period 2014–15.<sup>18</sup> The NCA does not undertake any biodiversity activities. Since most utility billing relating to quarter 4 2014–15 will not be received and data being processed until June 2015, this report includes estimates of usage based on the final figures submitted for the final quarter of 2013–14.

Summary*	2014–15		2013–14	
	Cost £'000	Consumption	Cost £'000	Consumption
Estate Energy	3,123	29.2 GWh	3,219	29.6 GWh
Estate Waste	110	386 tonnes	112*	358 tonnes
Estate Water	150	37,750 m <sup>3</sup>	159	38,943 m <sup>3</sup>
<b>Total</b>	<b>3,383</b>		<b>3,490</b>	

\* £55k was shown in the NCA 2013–14 accounts, however, this was only the NCA element of cost for the period October 2013–March 2014. £112k represent the full 2013–14 year costs.

## Carbon Footprint – Energy and Travel

Total Energy and Travel CO <sub>2</sub> emissions	2014–15 tonnes CO <sub>2</sub> e	2013–14 tonnes CO <sub>2</sub> e
Energy	13,191	12,074
Travel	7,695	7,903
<b>Total</b>	<b>20,886</b>	<b>19,977</b>

## Energy

The NCA continues to receive most of its electricity supply from fixed half hourly accounts and 100% of these supplies deliver green energy from renewable sources as part of the continuous improvement in sustainability management.

Fixed half hourly supplies account for around 85% of the NCA's energy consumption. The remainder is met through smaller non half hourly accounts; the majority of which are also sourced from green renewable energy supplies.

Unoccupied the NCA sites require continuous service maintenance using all utilities. Whilst this continues to impact on overall consumption figures, each unoccupied site is maintained at the absolute minimum and appropriately regulated settings.

Energy consumption*	2014–15		2013–14		Emissions from buildings	
	Cost £'000	MWh	Cost £'000	MWh	2014–15 Cost £'000	2013–14 tonnes CO <sub>2</sub> e
Electricity	2,879	22,624	2,659	22,385	11,919	10,750
Gas	236	6,560	261	7,048	1,242	1,294
Oil	11	183	12 <sup>†</sup>	179	30	30
<b>Total</b>	<b>3,126</b>	<b>29,367</b>	<b>2,932</b>	<b>29,612</b>	<b>13,191</b>	<b>12,074</b>

\* 2014–15 Q4 data is unavailable therefore 2013–14 Q4 data is included. Consumption data is reported for locations where the NCA pays utilities directly.

<sup>†</sup> 2013–14 period included costs outside the remit of this report. Re-stated figure is for sites which the NCA was directly responsible for utilities.

<sup>18</sup> The following shows the main comparisons against 2013–14 actuals. Note the data for Q4 energy comparison is not yet available, therefore an estimate has been included based upon the comparable figures for 2013–14.

## Travel

The NCA continues to encourage staff to use telephone and video conferencing to reduce the need to travel except in exceptional circumstances. However, with staff based nationwide and the necessity to liaise with partners there will always be a need to travel and staff are encouraged to use the most sustainable means whilst taking account of cost and time.

The NCA is committed to reducing the contribution to its carbon footprint from business travel; key to this is the recent significant expansion of the NCA video conferencing network (VTC). An outline for a usage data capture system has been drafted and, although work still needs to be done to bring this to operation, it is anticipated this will yield more reliable data to identify and illustrate the cost savings made by increased use of the network.

During the reporting year, NCA staff undertook 2,409 domestic and 5,076 international official flights compared to 3,691 domestic and 2,485 international flights in 2013–14.

Travel*	2014–15		2013–14	
	Cost £'000	tonnes CO <sub>2</sub> e	Cost £'000	tonnes CO <sub>2</sub> e
Road	3,553	5,743	3,981	6,196
Rail (national)	3,243	369	2,935 <sup>†</sup>	319
Air (domestic)	414	211	434 <sup>†</sup>	255
Air (incl. international)	2,429	1,372	2,482	1,132
<b>Total</b>	<b>9,639</b>	<b>7,695</b>	<b>9,832</b>	<b>7,902</b>

\* 2014–15 Q4 data is unavailable therefore 2013–14 Q4 data is included as an estimate.

<sup>†</sup> Travel costs for the period April to October 2013 were consolidated into Air Domestic and Rail travel. These costs have been re-stated to show the corrected division between Air Domestic and Rail travel for the full accounting year.

The increase in international travel in the year is due to:

- restructure of the international liaison officer network in the first full year of the NCA; and
- the fact the comparative year, as the last of the precursor agencies was a particularly low year for travel whilst awaiting the international review.

## Waste

Waste data for this reporting period is more accurate following continual proactive supplier agreements being put in place.

Waste to landfill during this report period forms less than 30% of all waste compared to nearly 50% in 2013–14. At least 70% of the NCA waste is recycled or incinerated for energy recovery; this represents an increase of 10% from the previous year. Waste incinerated for energy recovery is primarily from London offices.

Significant benefits have been delivered under the NCA Novo Estates overarching strategy and programmes which has delivered the closure of several 'regional' offices. Where items such as furniture cannot be re-used within the organisation, the increase in waste is managed responsibly and items are recycled offsite. A 12% increase in waste associated with these closures has been identified.

Working with Facilities Management partners we continue to look at initiatives to improve the ratio of recycled and incinerated waste against waste sent to landfill.

Waste	2014-15 tonnes	2013-14 tonnes	Variation
Recycled	192	152 <sup>†</sup>	+40
Incinerated with energy recovery	72	56 <sup>†</sup>	+16
Landfill	122	146 <sup>†</sup>	-24
<b>Total</b>	<b>386*</b>	<b>354</b>	

\* 2014-15 quarter 4 data is unavailable therefore 2013-14 quarter 4 data is included for comparison.

† This corrects 2013-14 figures reported in the NCA 2013-14 (Recycle 147 tonnes; Incinerate w/energy recovery 58 tonnes; Landfill 147 tonnes, Composted Waste 2 tonnes).

The agency's waste produced in 2014-15 increased because of several factors including the closure of several sites resulting in a large quantity of redundant furniture and bureau equipment.

## Water

The NCA has 39 water accounts, around half of these are estimated at year end due to invoices being unavailable at the time of reporting. 13 sites fall within the best practice for water threshold at 4.6 cubic metres per FTE compared to 6 in 2013-14; a further 8% use less than 6 cubic metres per FTE.

Water*	2014-15		2013-14	
	£'000	m <sup>3</sup>	£'000	m <sup>3</sup>
Water consumption	150	37,750	159	38,943

\* 2014-15 Quarter 4 data is unavailable therefore 2013-14 quarter 4 data is included

A system of rainwater capture from the roof of Olympic House continually feeds the newt pond to top up water levels. This ensures retention of standing water throughout the season when great crested newts (a protected species) are occupying the pond, ensuring a sustainable and beneficial habitat.

## 2014-15 Activities

### Energy Certificates

To comply with The Energy Performance in Buildings Directive (Certificates and Inspections) (England & Wales) Regulations 2007 SI 2007/991 (EPBD), the NCA ensures Display Energy Certificates (DEC's) and associated energy reports are displayed.

Display Energy Certificates (DEC) are designed to show the energy performance of public buildings, they use a scale that runs from 'A' to 'G' – 'A' being the most efficient and 'G' being the least.

DEC's are only required for properties that have 'public access' lasting for 1 year for buildings with a total useful floor area more than 500 metres, certificates must be displayed in a prominent place clearly visible to the public, failure to do this may result in a £500 fine. In the case of the NCA it was determined that only Old Queen Street would be deemed a property that had 'public access'.

Old Queen Street attained a rating of (F) 144. Old Queen St is a leasehold property entirely dependant on electric power. Any works improvements to achieve a better DEC rating would require significant capital expenditure.

An Energy Performance Certificate (EPC) was also prepared for one owned site, and this achieved a rating of (C) 51.

DEC's should not be confused with EPC's (Energy Performance Certificates) which is the responsibility of the landlord (owner) to commission whenever a building is sold or let, a building under construction is finished or there are changes to the number of parts used for separate occupation and these changes involve providing or extending fixed heating, air conditioning or mechanical ventilation systems.

An EPC was commissioned for Solent Branch to consider preparing a business case for a solar photoelectric array, a rating of 'C' was attained (needing an outcome of 'D' or better to be considered eligible to receive the benefit of the Government energy feed in tariff).

All EPCs are valid for 10 years, you can be fined between £500 and £5,000 based on the rateable value of the building if you don't make an EPC available to any prospective buyer or tenant.

## **Air Conditioning Inspections**

The EPBD also requires the NCA to carry out energy efficiency inspections of air conditioning systems every five years using an accredited assessor, where the installed capacity in any building exceeds 12kWh. This work is currently up to date, one inspection is complete and a second inspection is scheduled.

Work has recently been undertaken to balance air handling systems to achieve maximum efficiency. There continues to be a monitoring mechanism in place to ensure inspections for remedial maintenance are carried out to agreed standards at scheduled intervals.

## **Carbon Reduction Commitment Energy Efficiency Scheme (CRC EES)**

CRC EES is a mandatory emissions trading scheme for non-energy intensive organisations and is focused on the public and private sector not covered by EU Emissions Trading Scheme or Climate Change Agreements. This is regulated by the Environment Agency in England and Wales. Charges are levied on the amount of carbon produced in the period reported.

During this reporting year, 12,217 tonnes of carbon emissions were reported under the scheme for 2013–14 consumption; a reduction of 1,489 tonnes from the previous period. Allowances were purchased from the Environment Agency at £12 per tonne to cover these emissions. Emissions for 2014–15 will be reported in June 2015 and allowances will be submitted in October.

## **Energy Efficiency Initiatives**

A number of energy efficiency technical projects are currently under review such as the installation of external LED lighting by our landlords of Spring Gardens.

A comprehensive energy efficiency audit is in progress across the estate to 'baseline' each of our premises and more importantly identify and highlight potential savings in both monetary and in carbon emissions. Findings and recommendations are disseminated to all stakeholders to assist in future planning, budget calculation and decision making.

## **National Police Aid Convoy**

The first NCA sponsored container was successfully delivered to Ghana during the year and was very well received. Surplus NCA equipment has since been collected across the estate; kitchen equipment from one site (including the sink) has been donated to an orphanage in Albania. A further container has recently left for Zanzibar with plans for a third container destined for Tanzania.

## Building Management System Upgrade (BMS)

This is a high profile project in conjunction with the NCA's Facility Management (FM) suppliers. Currently still ongoing, remote access to the BMS system requires a full upgrade to introduce a faster more reliable control interface. Work is still underway to resolve technical issues. This will contribute towards savings both in cost and energy consumption.

## Staff Awareness

The NCA is committed to raising environmental and sustainability awareness throughout the organisation. A number of initiatives to achieve this and embed best 'best practice' are currently being considered.

## Sustainable Construction

The NCA has put in place a policy to apply Building Research Establishments Environmental Assessment Method (BREEAM) to capital builds and large refurbishment projects. BREEAM sets the standard for best practice in sustainable design, construction and operation, minimising energy demands created by our buildings. During the 2014–15 reporting period no large construction/refurbishment works were undertaken.

## Progress made in 2014–15

The majority of emissions are from the use of electricity in buildings for lighting, air conditioning, computer equipment and other plug in devices. This year the NCA has focused on:

- Continuing its programme of Building Management System upgrades, optimising the operation of existing plant equipment by reviewing existing control strategies and set points;
- Embedding sustainability into facilities management arrangements;
- Installing centralised boiler, air conditioning controls, optimising settings to reduce heating/cooling conflict and maximise savings; and
- Replacement of external fluorescent lighting with more efficient LED lighting at Spring Gardens.

An automatic monitoring and targeting system has been introduced on all new fiscal meters. This is used to track energy consumption of major equipment and identify anomalies. Close monitoring and understanding of energy flows enables energy waste and savings to be identified, prioritised and verified more accurately.

## Conclusion

The NCA continues to make improvements in reducing its impact on the environment through improved data collection, staff awareness and involvement of its Facilities Management suppliers. Significant unusual events in year, such as the waste caused by exiting buildings or the re-organisation of the international liaison officer network may temporarily increase emissions or waste but the overall trend is to reduce environmentally damaging outputs. Sustainability impact assessment is embedded within all projects by ensuring the Sustainability team is consulted on inception of new projects. Implementation of the energy saving projects throughout the business will have a significant impact in managing Sustainability.

## **Priorities for 2015–16:**

To build on achievements already accomplished, priorities in 2015–16 are to:

- Continue to reduce and measure:
  - greenhouse gas emissions from all forms of business-related travel; encouraging the use of video and telephone conferencing; encouraging the use of public transport where travel is essential;
  - wasted energy and water through improved building and facilities management; smarter information technology;
- Continue to invest in energy saving controls and improved performance of ICT;
- Work with waste and recycling contractors to ensure all possible options are explored before landfill, and deliver comprehensive reporting;
- Reduce the volume of waste generated and encourage optimum reuse and recycling, including refurbishment and construction projects;
- Reduce water use by trialling water reduction technologies and raising awareness;
- Identify savings initiatives by working collaboratively with suppliers;
- Deliver upgraded/enhanced remote access Building Management System, and associated savings through joint projects with FM suppliers; and
- Continuing to support the National Police Aid Conveys, identifying reusable/recyclable items for use by overseas law enforcement partners.

The NCA continues to work towards promoting initiatives to generate efficiencies and savings until revised GGC targets come into effect.

## Estates Management

The majority of the NCA estate is held under operating leases. Five buildings are owned, these were subject to external valuation in March 2015. The carrying value of these properties are shown in the Financial Accounts section of this report.

The objectives of the NCA Estates Transformation Strategy are to establish, maintain and develop an estates infrastructure configured to sustain:

- An integrated, highly motivated workforce (including any further expansions by acquisition, recruitment or growth during 2013 to 2019) in operationally productive, efficient, safe and secure office and technical accommodation;
- A positive and powerful corporate image representing the NCA as a modern, attractive workplace for its officers and potential recruits and as a professional partner for national and international law enforcement agencies;
- Maximum impact on the agency's mission, targets and priorities;
- Maximum collaboration between all parts of the NCA, the HO and partner agencies;
- Effective and efficient interfaces and interoperability between;
  - local police forces and global NCA resources through ACPO regional organised crime units;
  - HMRC, Home Office, UKBF and other agencies protecting the border at UK ports, airports, inland clearance depots and overseas;
- Best value for money from its capital and resource investments;
- Compliance with public sector property asset management policies;
- Best practice in implementing Government property efficiency reviews; and
- Minimum impact on the environment.

As part of the Estates Transformation Programme, the NCA is:

- Aiming for 50% reduction in sites (from 35 to 17) and 20% in cost (£10M) over the five-year term of the strategy;
- Co-locating wherever possible with ACPO regional units dealing with serious and organised crime and counter terrorism;
- Applying flexible working policies and standards (such as open plan and desk sharing) across all sites to demonstrate efficiencies against public sector benchmarks; and
- Participating in the property shared services cluster led by the Ministry of Justice.

## Gender Breakdown

At 31 March 2015, the breakdown of officers by gender was as follows

	Male	Female	Total
Directors	14	2	16
Senior Managers	19	5	24
Other Employees	2,780	1,731	4,511
<b>Total*</b>	<b>2,813</b>	<b>1,738</b>	<b>4,551</b>

\* This total represents the NCA headcount as at 31 March 2015, including agency officers, commercial contractors, seconded officers and officers on career break.

## Social and Community Issues

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

The NCA Community Fund is a community based initiative which visibly demonstrates the NCA commitment to actively support local communities, across England, Wales and Northern Ireland which have been affected by organised crime and organised criminal activity. The Director General of the NCA allocated a budget of £250k for the financial year April 2014 to March 2015. During 2014–15 the board; via OCC, requested that the process and terms of reference for the fund be reviewed to ensure that the process was aligned with best practice within government departments and that the terms of reference reflected the priorities of the NCA.

In addition, the NCA:

- Encouraged its officers to participate in local community activities, including local and national charitable activities;
- Worked in partnership with Crimestoppers; and
- Operated an Estates Strategy that specifically focused on a minimum impact on the environment.

## Inclusion, Diversity & Equality

The NCA is committed to treating everyone with dignity and respect, valuing diversity, working in partnership, and sharing knowledge and best practice.

It seeks to create and maintain an environment which values all officers and respects the contribution they make and where fairness and equality of opportunity are assured. Inclusion, diversity and equality issues are embedded in strategic planning, policy development and organisational processes.

The NCA aims to provide a positive environment in which everyone feels valued, and where the organisation is open to the experience, insights and skills of people of different age, disability, sex, gender reassignment, race, religion, belief, sexual orientation, marital/civil partnership, pregnancy/maternity status and political opinion.

The NCA supports a range of work styles for individual officers, while meeting organisational need. Respect is an integral part of the NCA values and behaviours and is part of its recruitment process and annual individual performance reviews.

The NCA is committed to the employment and career development of disabled officers and is the holder of Jobcentre Plus 'Positive about disabled people' Two Ticks symbol. The symbol is a recognition given to employers who demonstrate that they are serious about achieving equality of opportunity for disabled people.

The NCA actively ensures that disability is not regarded as a barrier to recruitment or promotion. The NCA has a policy of inviting people who have a disability, and who meet the minimum behavioural and technical entry criteria, to interview/assessment. Once in post, disabled officers are provided with any reasonable support/adjustments they might need to carry out their duties.

Within the NCA, the Disability Network Advisory Group (DNAG) provides information and advice on a range of disability issues to all officers. DNAG works with the occupational health and welfare department, Business Disability Forum and MIND, the mental health charity.

## Officer engagement

In 2014–15, the NCA communicated with its people through a mix of channels and mechanisms and required managers to ensure officers had the information they needed to do their jobs and to regularly discuss issues within their teams. The channels of communication included:

- Director General's monthly message – personal voice commentaries on the agency's direction of travel, the first was set in the broadest context, the second focused on short regular single-issue updates.
- Command team visits to operational locations, including Q&A sessions and a briefing on the issues of the moment.
- Team Brief – a fortnightly briefing for senior managers to cascade to officers.
- Intranet for fast-time news, online information tools, an archive of material and a library of policies, handbooks etc.
- Staff surveys – to monitor engagement and indicate where improvement is needed.
- An induction programme for new officers provided an overview of the agency's priorities, strategies, values and activities.

## The Novo Transformation programme

The Novo Programme was established in April 2014 to deliver transformation of the agency. Novo will deliver the step change needed to meet the NCA's challenges by implementing a new sustainable operating model for investigation and intelligence handling – the end to end process at both a strategic and tactical level – reflecting the need for the agency to exploit fully all sources of information including digital. This will maximise the NCA's ability to exploit effectively all the information that it has to identify and relentlessly disrupt high priority and priority serious and organised criminals, their groups and vulnerabilities.

The Board recognise the need to engage all officers within the agency. Ideas Groups have been set up in all departments to help identify and drive improvement in the agency.

The NCA intranet and the weekly 'The Global' email communication to all staff has been used to report any changes as a result of the Novo transformation programme.

The internal communication team supports the NCA core activity by building understanding of its mission and equipping officers to be ambassadors.

## Board communication

Board-level channels promote culture change within the organisation, ensure board visibility and accessibility and promote dialogue with officers.

- Agency briefings – directors hold regular briefing and Q&A sessions with officers across the estate;
- Director blogs – a personal voice channel for directors;
- Board meeting minutes are available for any officer to view on the intranet; and
- DG webchats – realtime Q&A with the Director General for all officers.

## Line manager communication

Communication channels support line managers in their roles ensuring that they have the information they need to do their jobs and that the board has adequate feedback from them on touchstone issues. A monthly team brief for senior officers supports face to face communication with officers.

All-officer channels complement management communication and ensure officers have easy access to the information they need to do their jobs, make good decisions and perform well for the NCA, such as:

- Intranet (the source) – the NCA’s primary resource for news and information; a library, archive and portal.
- the Global – the weekly all-officer email sharing key corporate messages and news, recapping key information. The global includes links to fuller information on the intranet.
- First Person – a monthly feature-and-story-led ‘softer’ people-focused online magazine which goes behind the headlines and paints a picture of how the NCA fits together and what its teams do, builds understanding and pride in the breadth of the NCA’s work, and helps embed culture change.

## Consultation with Employees

The NCA has in place an employee relations policy that outlines a consultative framework for engaging trade union representatives. There are three recognised trade unions and facility time is provided to allow union representatives to take part in industrial relations duties. Alongside this, the agency has specific bodies for consulting minority groups – the Disability Network Advisory Group (DNAG) for officers with disabilities, the Ethnic Minority Network Support Association (EMNSA) represents ethnic minorities and religion, the Sexual Orientation Network and Resource (SONAR) represents sexual orientation issues for lesbian, gay and bisexual officers, GENDER deals with all gender issues including transgender and the Age group represents officers across all age groups. In addition, the Flexible Working Group seeks to nurture modern flexible working and support officers with caring responsibilities. In October 2013, the NCA introduced new union facility time arrangements which will limit the proportion of the paybill allocated to paid union facility time to 0.1% in line with the Cabinet Office Facility Time Framework.

## High Potential Development Scheme

The High Potential Development Scheme (HPDS) was developed in order to recruit high calibre officers who had the ability to become future leaders through internal and external recruitment campaigns. The scheme enables the NCA to recruit and retain the best people, drive efficiency and develop creative solutions to problems. The NCA did not hold a recruitment campaign for the HPDS in 2014–15. As at 31 March 2015, 15 officers remain on the HPDS from the 2012–13 recruitment campaign.

## Virtual Global Taskforce Company

The NCA had a non-trading wholly owned subsidiary company called Virtual Global Taskforce Limited, a company limited by guarantee to the value of £10. This company was set up previously by the National Crime Squad for the Child Exploitation and Online Protection (CEOP) Centre in order to protect the name of a registered trademark, and ownership passed to SOCA on 1 April 2006, and then on to the NCA on 6 October 2013. The company is currently dormant.

### Keith Bristow QPM

Director General and Accounting Officer, National Crime Agency  
23 June 2015

# Directors' Report

## Composition of Management Board

	Date Appointed	End Date
<b>Director General</b>		
Keith Bristow*	7 October 2013	-
<b>Deputy Director General</b>		
Phil Gormley†	7 October 2013	-
<b>Directors</b>		
Stephen Webb‡	25 July 2013	14 May 2014
Gordon Meldrum	7 October 2013	31 December 2014
Trevor Pearce§	7 October 2013	19 October 2014
David Armond	7 October 2013	-
Johnny Gwynne	9 December 2013	-
Gary Chatfield#	7 October 2013	31 December 2014
Tim Symington	7 October 2013	-
Donald Toon	31 March 2014	-
Sue Steen^	15 May 2014	-
Ian Cruxton	2 July 2014	-
Jamie Saunders	1 July 2014	-
<b>Non-Executive Directors</b>		
Jane Furniss CBE	2 December 2013	-
Jonathan Evans KCB DL¥	2 December 2013	13 March 2015
Dr Stephen Page	2 December 2013	-
Justin Dowley	2 December 2013	-

\* On 21 May 2015 Keith Bristow announced his intention to retire from the NCA.

† On 26 March 2015 Phil Gormley announced his intention to retire from the NCA during 2015–16.

‡ On 15 May 2014 Stephen Webb (Interim Director of Corporate Services) returned to the Home Office to take up a full time role on the Emergency Services Mobile Communication Programme.

§ In October 2014, Trevor Pearce became the NCA Director of Specialist Investigations, responsible for leading Operation Stovewood, an independent investigation examining criminal allegations of non-familial child sexual exploitation and abuse. At this time he reverted to a Board observer, ceasing to be a member of the Board. On 26 March 2015 Trevor announced his intention to retire from the NCA to take up a new position with the Gambling Commission in July 2015 following an announcement of the appointment of several new commissioners by the Department for Culture Media and Sport.

# Gary Chatfield was appointed intermittently to the Board during 2014–15; as Director of Operations until 21 April 2014 and latterly as Director of Investigations (ex Trevor Pearce) from 20 October to 31 December 2014. The disclosure given reflects these periods on the Board.

^ Sue Steen, Deputy Director for HR, temporarily fulfilled the role as Acting Director Corporate Services. This role ceased post 31 March 2015 when she was appointed permanently as Director of Corporate Services from 1 April 2015.

¥ Lord Evans of Weardale tendered his resignation as an NCA non-executive board member on 13 March 2015.

## Register of interests

Details of company directorships and other significant interests held by Board members during the accounting period are available at the following web address:

<http://www.nationalcrimeagency.gov.uk/about-us/how-we-are-run/board-declarations>

## Results and financial position

The Departmental Expenditure Limit outturn to 31 March 2015 reports an under spend of £6.9m (2013–14: £14.1m) resource and £2.3m (2013–14: £2.3m) capital.

The resource outturn under spend comprises:

- Additional revenue arising from ARIS Civil action receipts in the final quarter of the year, including the disposal of high value property in late March 2015;
- Additional recoverable VAT. This was the first full year that the NCA were able to recover VAT. Final quarter VAT recovered, in accord with “contracted out services” HMRC regulations, increased compared to previous periods since the inception of the NCA due to timing of expenditure; and
- Reduced IT communications spend due to IT capital programme completion in the final quarter, reducing go-live resource running costs in year and leading to lower volume usage.

It should be noted the NCA obtained additional resource funding of £3.2m with regard to National Fraud Authority activity.

Capital expenditure in the year was heavily skewed to the final quarter due to a review on Technical Operations and project planning for the Novo Transformation Programme. The potential capital under spend was recognised early and risks were mitigated by returning funds to the Home Office and budget exchange into the next financial year. The remaining capital outturn was as forecast in the final quarter.

The Annually Managed Expenditure (AME) budget consists of estimates for movements in provisions and movements in pension liabilities calculated by the Government Actuaries Department. The pension liability increase between 2013–14 and 2014–15 is £46.4m (2012–13 to 2013–14: £96.8m increase) and previous year movements have been +/-£100m. Given this uncertainty, the NCA prudently obtained £175m AME Vote for pension liabilities. The balance of the AME Vote reflects movements in provisions as reported in note 14 to the accounts, with the movement from the 2013–14 to 2014–15 being an increase of £1.3m, mainly due to the re-assessment of the legal and dilapidation provision risks.

## Financial Instruments

Due to the largely non-trading nature of its activities and the way in which it is financed, the NCA is not exposed to the degree of financial risk faced by commercial entities. Further information with respect to risk management and strategy is provided in note 10 of the Annual Accounts.

## Parliamentary Ombudsman

The Parliamentary and Health Service Ombudsman received no complaints against the NCA in the period 1 April 2014 to 31 March 2015.

## **Remuneration of the External Auditors**

The remuneration for the National Audit Office is disclosed in note 5 of the accounts totalling £0.14m (2013–14: £0.245m). It should be noted that the 2013–14 total related to audits for both SOCA and NCA.

No remuneration has been paid to the National Audit Office for non-audit work (2013–14 nil).

## **Reporting of Personal Data Related Incidents**

There were two personal data-related incident in 2014–15 (one personal data-related incident in 2013–14). Both incidents were reported to the Information Commissioner.

An additional personal data-related incident was determined by the Data Controller not to meet the criteria for reporting to the Information Commissioner.

## **Officers Sickness Reporting**

NCA officers were absent on sick leave for an average of 5.5 days per employee during the year to 31 March 2015 (2013–14: 5.8 days).

## **Events after the Reporting Period**

The NCA became fully operational in Northern Ireland on 20 May. Officers are now able to exercise the powers and privileges of a Northern Ireland constable, in accordance with General Authorisation agreed between the Director General and Minister of Justice Northern Ireland.

## **Future Developments**

At the time of producing these accounts, there are no significant future developments to report.

## **Declarations**

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

## **Keith Bristow QPM**

Director General and Accounting Officer, National Crime Agency

23 June 2015

# Remuneration Report

The disclosures within this Remuneration Report are subject to audit.

## Remuneration Policy

Senior Management salaries were based on recommendations of the Review Body on Senior Salaries, an independent body providing advice to the Prime Minister and others on senior civil servants' salaries.

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

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

In making recommendations, the Review Body considers any factors that the government and other witnesses may draw to its attention. In particular, it has regard to:

- Differences in terms and conditions of employment between the public and private sector and between the remit groups, taking account of relative job security and the value of benefits in kind;
- Changes in national pay systems, including flexibility and the reward of success, and job weight in differentiating the remuneration of particular posts; and
- The relevant legal obligations, including anti-discrimination legislation regarding age, gender, race, sexual orientation, religion and belief and disability.

The Review Body may make other recommendations as it sees fit:

- to ensure that, as appropriate, the remuneration of the remit groups relates coherently to that of their subordinates, encourages efficiency and effectiveness, and takes account of the different management and organisational structures that may be in place from time to time;
- to relate reward to performance where appropriate;
- to maintain the confidence of those covered by the Review Body's remit that its recommendations have been properly and fairly determined; and
- to ensure that the remuneration of those covered by the remit is consistent with the Government's equal opportunities policy.

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

Further information about the Review Body can be found at [www.ome.uk.com](http://www.ome.uk.com).

Changes to the Board of Directors of the NCA during the reporting period are described under the Governance Statement within the Role and Composition of the Board.

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

Pool cars were available to Directors for business purposes.

## **Service Contracts**

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

Further information about the work of the Civil Service Commission can be found at:  
[www.civilservicecommission.org.uk](http://www.civilservicecommission.org.uk).

## **Remuneration (including salary) and pension entitlements**

The following sections provide details of the remuneration and pension interests of the Board members.

### **Remuneration (salary and payments in kind) (Audited)**

Where an individual has only served for part of the year, the full year equivalent salary is reported in brackets.

# National Crime Agency 1 April 2014 – 31 March 2015

Single total figure of remuneration										
Officials Date appointed – appointment ended	Salary (£'000)		Bonus Payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits <sup>19</sup> (£'000)		Total (£'000)	
	2014–15	2013–14	2014–15	2013–14	2014–15	2013–14	2014–15	2013–14	2014–15	2013–14
<b>Director General</b>										
Keith Bristow* 7 Oct 13	225–230 (220–225)	See Below	-	-	2,000	500	48	- <sup>†</sup>	275–280 (270–275)	See Below
<b>Deputy Director General</b>										
Phil Gormley <sup>‡</sup> 7 Oct 13	185–190 (180–185)	See Below	-	-	5,600	2,000	223	- <sup>†</sup>	415–420 (410–415)	See Below
<b>Directors</b>										
Stephen Webb <sup>§</sup> 7 Oct 13 – 14 May 14	10–15 (85–90)	See Below	-	-	-	-	22	1 <sup>#</sup>	30–35 (105–110)	See Below
Gordon Meldrum 7 Oct 13 – 31 Dec 14	100–105 (130–135)	See Below	-	-	2,100	900	- <sup>†</sup>	- <sup>†</sup>	100–105 (130–135)	See Below
Trevor Pearce <sup>^</sup> 7 Oct 13 – 19 Oct 14	75–80 (135–140)	See Below	-	-	-	-	28	35 <sup>#</sup>	100–105 (165–170)	See Below
David Armond 7 Oct 13	140–145	See Below	-	-	-	-	52	(1)	190–195	See Below
Johnny Gwynne 9 Dec 13	135–140	See Below	-	-	3,500	1,300	- <sup>†</sup>	- <sup>†</sup>	140–145	See Below
Gary Chatfield* 7 Oct 13 – 31 Dec 14	25–30 (105–110)	See Below	-	-	-	-	5	12	30–35 (110–115)	See Below
Tim Symington 7 Oct 13	105–110	See Below	-	-	-	-	47	60	155–160	See Below
Donald Toon 31 Mar 14	140–145	See Below	-	-	-	-	355	1	495–500	See Below
Sue Steen <sup>§</sup> 15 May 14 – 31 Mar 15	100–105 (115–120)	N/A	-	N/A	-	N/A	38	N/A	140–145 (150–155)	N/A
Ian Cruxton 2 Jul 14	75–80 (105–110)	N/A	7.5	N/A	-	N/A	11	N/A	95–100 (115–120)	N/A
Jamie Saunders 1 Jul 14	100–105 (135–140)	N/A	-	N/A	-	N/A	161	N/A	260–265 (295–300)	N/A
<b>Non-Executive Directors</b>										
Jane Furniss CBE 2 Dec 13	10–15	See Below	-	-	-	-	-	-	10–15	See Below
Jonathan Evans KCB DL <sup>€</sup> 2 Dec 13 – 13 Mar 15	10–15	See Below	-	-	-	-	-	-	10–15	See Below
Dr Stephen Page 2 Dec 13	10–15	See Below	-	-	-	-	-	-	10–15	See Below
Justin Dowley 2 Dec 13	10–15	See Below	-	-	-	-	-	-	10–15	See Below

\* On 21 May 2015 Keith Bristow announced his intention to retire from the NCA. The pay award for the DG for 2014–15 was made as a non consolidated lump sum. The impact of its payment meant that the DG's remuneration in aggregate for the year was in a higher pay band than his salary.

† It has not been possible for the police pension scheme administrator used by the NCA and associated police forces to actuarially determine the present value of promised retirement benefits for officers with police pensions.

‡ On 26 March 2015 Phil Gormley announced his intention to retire from the NCA. The pay award for the DDG for 2014–15 was made as a non consolidated lump sum. The impact of its payment meant that the DDG's remuneration in aggregate for the year was in a higher pay band than his salary.

§ On 15 May 2014 Stephen Webb (Interim Director of Corporate Services) returned to the Home Office to take up a full time role. In the interim period Sue Steen, Deputy Director for HR, temporarily fulfilled the role as Acting Director Corporate Services. This role ceased post 31 March 2015 when she was appointed permanently as Director of Corporate Services from 1 April 2015.

# These figures represent the values for the full year of SOCA from 1 April 2013 – 6 October 2013 and the NCA from 7 October 2013 – 31 March 2014.

^ In October 2014, Trevor Pearce became NCA Director of Specialist Investigations, responsible for leading Operation Stovewood, an independent investigation examining criminal allegations of non-familial child sexual exploitation and abuse. At this time he reverted to a Board observer, ceasing to be a member of the Board. On 26 March 2015 Trevor announced his intention to retire from the NCA.

¥ Gary Chatfield was appointed intermittently to the Board during 2014–15; as Director of Operations until 21 April 2014 and latterly as Director of Investigations (ex Trevor Pearce) from 20 October to 31 December 2014. The disclosure given reflects these periods on the Board.

€ Lord Evans of Weardale tendered his resignation as an NCA non-executive board member on 13 March 2015.

<sup>19</sup> The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contribution made by the individual). The real increase excludes increases due to inflation or any increase or decreases due to a transfer of pension rights.

## National Crime Agency 7 October 2013 – 31 March 2014

Single total figure of remuneration										
Officials	Salary (£'000)		Bonus Payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits <sup>20</sup> (£'000)		Total (£'000)	
Date appointed – appointment ended	2013–14	2012–13	2013–14	2012–13	2013–14	2012–13	2013–14	2012–13	2013–14	2012–13
<b>Director General</b>										
Keith Bristow 7 Oct 13	105–110 (220–225)	N/A	-	N/A	500	N/A	.*	N/A	105–110	N/A
<b>Deputy Director General</b>										
Phil Gormley 7 Oct 13	85–90 (180–185)	N/A	-	N/A	2,000	N/A	.*	N/A	90–95	N/A
<b>Directors</b>										
Stephen Webb 7 Oct 13	40–45 (85–90)	N/A	-	N/A	-	N/A	(2)	N/A	40–45	N/A
Gordon Meldrum 7 Oct 13	60–65 (130–135)	N/A	-	N/A	900	N/A	.*	N/A	65–70	N/A
Trevor Pearce 7 Oct 13	65–70 (135–140)	See Below	-	See Below	-	See Below	8	See Below	100–105	See Below
David Armond 7 Oct 13	55–60 (135–140)	N/A	-	N/A	-	N/A	(1)	N/A	55–60	N/A
Johnny Gwynne 9 Dec 13	40–45 (135–140)	N/A	-	N/A	1,300	N/A	.*	N/A	40–45	N/A
Gary Chatfield 7 Oct 13	50–55 (105–110)	N/A	-	N/A	-	N/A	12	N/A	60–65	N/A
Tim Symington 7 Oct 13	50–55 (105–110)	N/A	-	N/A	-	N/A	60	N/A	50–55	N/A
Donald Toon 31 Mar 14	0–5 (135–140)	N/A	-	N/A	-	N/A	1	N/A	0–5	N/A
Peter Davies 7 Oct – 9 Dec 13	20–25 (135–140)	N/A	-	N/A	300	N/A	.*	N/A	20–25	N/A
<b>Non-Executive Directors</b>										
Jane Furniss CBE 2 Dec 13	0–5 (10–15)	N/A	-	N/A	-	N/A	-	N/A	0–5	N/A
Jonathan Evans KCB 2 Dec 13	0–5 (10–15)	N/A	-	N/A	-	N/A	-	N/A	0–5	N/A
Dr Stephen Page 2 Dec 13	0–5 (10–15)	N/A	-	N/A	-	N/A	-	N/A	0–5	N/A
Justin Dowley 2 Dec 13	0–5 (10–15)	N/A	-	N/A	-	N/A	-	N/A	0–5	N/A

\* It was not possible for the police pension scheme administrator used by the NCA and associated police forces to actuarially determine the present value of promised retirement benefits for officers with police pensions in the previous period.

<sup>20</sup> The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contribution made by the individual). The real increase excludes increases due to inflation or any increase or decreases due to a transfer of pension rights.

## Serious Organised Crime Agency 1 April 2013 – 6 October 2013

Single total figure of remuneration										
Officials Date appointed – Contract end	Salary (£'000)		Bonus Payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits <sup>21</sup> (£'000)		Total (£'000)	
	2013–14	2012–13	2013–14	2012–13	2013–14	2012–13	2013–14	2012–13	2013–14	2012–13
<b>Director General</b>										
Trevor Pearce 1 Sep 10 – 6 Oct 13	75–80 (145–150)	145–150	12.5	5.0	-	-	27	47	110–115	195–200
<b>Chairman</b>										
Sir Ian Andrews 3 Aug 09 – 2 Aug 13	30–35 (55–60)	65–70	-	-	-	-	-	-	30–35	65–70
Stephen Rimmer* 7 Aug 13	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Executive Directors</b>										
Malcolm Cornberg <sup>†</sup> 1 Apr 06 – 24 Jul 13	60–65 (145–150)	145–150	-	5.0	-	-	23	51	80–85	200–205
Stephen Webb <sup>‡</sup> 25 Jul 13	15–20 (85–90)	N/A	-	N/A	-	N/A	3	N/A	20–25	N/A
Bradley Jones <sup>§</sup> 1 Sep 10 – 8 Apr 13	0–5 (105–110)	105–110	-	5.0	-	-	(70)	44	(65)–(70)	155–160
Gerry Liddell <sup>#</sup> 5 Sep 11 – 30 Sep 13	50–55 (105–110)	105–110	7.5	5.0	-	-	2	152	60–65	260–265
Robert Lauder <sup>^</sup> 9 Apr 13 – 6 Oct 13	45–50 (95–100)	N/A	2.5	N/A	-	N/A	15	N/A	60–65	N/A
<b>Non-Executive Directors</b>										
Peter Clarke 1 Sep 09 – 6 Oct 13	10–15 (15–20)	15–20	-	-	-	100	-	-	10–15	15–20
Francis Plowden 1 Sep 09 – 6 Oct 13	10–15 (15–20)	20–25	-	-	-	-	-	-	10–15	20–25
Martyn Thomas 1 Jul 11 – 6 Oct 13	5–10 (10–15)	10–15	-	-	-	-	-	-	5–10	10–15
Sue Garrard <sup>¥</sup> 1 Sep 09 – 31 Aug 12	-	-	-	-	-	-	-	-	-	-

\* Stephen Rimmer acted as interim Chair of SOCA on a part-time basis during the period 7 August to 6 October 2013. During this time, he was not remunerated by SOCA and continued in his substantive post of Director General of the Crime & Policing Group. No charge was made to NCA for Mr Rimmer's services. Details of Mr Rimmer's remuneration for the 2013–14 financial year can be found in the Home Office Annual Reports and Accounts 2013–14.

† Malcolm Cornberg resigned as Executive Director Capability and Service Delivery on 24 July 2013. He received a compensation payment of £189.6k which was agreed with and funded by the Home Office. He also received a payment in lieu of annual leave of £14.1k.

‡ Stephen Webb was appointed as Interim Executive Director Capability and Service Delivery for the period 25 July to 6 October. Mr Webb continued to be remunerated by the Home Office during this period, but his salary details for 25 July to 6 October 2013 are included here for completeness, as they will not appear in the Home Office Annual Reports and Accounts 2013–14.

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

# Gerry Liddell left SOCA under the Civil Service Pension Scheme Compensation Scheme 2010, Voluntary Exit provisions scheme on 30 September 2013. Under these regulations, the compensation payment is based on one month's pay per year of service up to a maximum of 21 months for those under pension age. This is the standard tariff that applies to all members of the Civil Service Scheme. Under the Scheme he was paid £184.5k.

^ Robert Lauder bonus should have been £75k, only £2.5k paid. Remaining £5k to be paid in 2014–15.

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

21 The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contribution made by the individual). The real increase excludes increases due to inflation or any increase or decreases due to a transfer of pension rights.

## Salary

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

## Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue & Customs as a taxable emolument. Benefits reported were calculated as the taxable value and relate to the private mileage element of assets (vehicles) placed at the employee's disposal.

Benefits in kind may include provision of a vehicle and driver to certain Directors (the Director General's driver is treated differently as vehicles and a driver are provided for security purposes).

## Bonuses

Bonuses are based on performance levels attained and were made as part of the appraisal process.

Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2014–15 relate to performance in 2014–15 and the comparative bonuses reported for 2013–14 relate to performance in 2013–14.

## Notice periods for senior officers

Notice periods for the Director General, Directors and Non-Executive Directors are three months.

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

Reporting bodies are required to disclose the relation between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the NCA for the reporting period was £230–235k (2013–14: £220–225k). This was 6.4 times (2013–14: 6.1) the median remuneration of the workforce (excluding the highest paid director), which was £36,118 (2013–14: £36,726). The NCA's calculation of the median earnings of the work force and ratio between this and the highest paid director was based on full-time equivalent officers as at 31 March 2015 on an annualised basis.

Remuneration during the reporting period ranged from £15k to £235k.

There were no employees who received remuneration in excess of the highest-paid director.

No contingent labour costs are included in the median pay calculation. The impact of excluding contingent labour and seconded officers does not have a material impact on the calculation.

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions. The NCA's median pay included allowances but not overtime.

## Benefits and Pension contributions

In addition to salaries paid and taxable benefits in kind for travel and the associated taxes paid by the NCA, the pension entitlements of the current senior management team are disclosed below.

### Pension Entitlements 2014-15

#### National Crime Agency 1 April 2014 – 31 March 2015

All figures in the table below are provided by MyCSP or analogous arrangement for those board members (employees and seconded) with Civil Service pension arrangements.

	Employer Pension contributions in	Real increase in Pension	Real increase in lump sum	Total Accrued Pension at age 60 in	Total Lump Sum at age 60 in	Cash Equiv Transfer Value	Real Increase in Cash Equiv Transfer Value
	2014-15 £	2014-15 £	2014-15 £	2014-15 £	2014-15 £	2014-15 £	2014-15 £
Stephen Webb	2,554	0-2.5	-	35-40	-	475	14
Trevor Pearce	18,384	0-2.5	-	20-25	-	376	28
David Armond	34,144	2.5-5	-	20-25	-	403	47
Gary Chatfield	6,693	0-2.5	-	15-20	-	309	4
Tim Symington	23,279	2.5-5	7.5-10	35-40	115-120	687	33
Donald Toon	34,219	15-17.5	47.5-50	40-45	125-130	784	281
Sue Steen	24,911	0-2.5	-	0-5	-	35	17
Ian Cruyton	19,113	0-2.5	-	50-55	-	759	6
Jamie Saunders	18,081	7.5-10	-	65-70	-	1,012	118

All figures in the table below are provided by the Agency's Police Pensions Administrator for those board members who are employees with Police Pension Scheme arrangements.

	Employer Pension contributions in	Real increase in Pension	Real increase in Lump Sum	Total Accrued Pension at age 60 in	Total Lump Sum at age 60 in	Cash Equiv Transfer Value	Real Increase in Cash Equiv Transfer Value
	2014-15 £	2014-15 £	2014-15 £	2014-15 £	2014-15 £	2014-15 £	2014-15 £
Keith Bristow	43,966	2.5-5	-	120-125	-	2,910	283
Phil Gormley	44,608	12.5-15	-	115-120	-	2,565	261

The Non-Executive Directors are non-pensionable appointments.

Gordon Meldrum and Johnny Gwynne were seconded and were members of the pension schemes managed by their respective home police forces. The NCA is not responsible for their pensions. Employer pension contributions made by the NCA for these board members for the period 1 April 2014 to 31 March 2015 are shown below.

	Employer Pension contributions in 2014-15 £	Employer Pension contributions in 2013-14 £
Gordon Meldrum	24,460	15,807
Johnny Gwynne	35,236	10,705
Peter Davies	N/A	6,002

## National Crime Agency 7 October 2013 – 31 March 2014

All figures in the table below are provided by MyCSP for those board members (employees and seconded) with Civil Service pension arrangements.

	Employer Pension contributions in 2013-14 £	Real increase in Pension 2013-14 £000	Real increase in lump sum 2013-14 £000	Total Accrued Pension at age 60 in 2013-14 £000	Total Lump Sum at age 60 in 2013-14 £000	Cash Equiv Transfer Value 2013-14 £000	Real Increase in Cash Equiv Transfer Value 2013-14 £000
Stephen Webb	10,230	0-2.5*	-	35-40*	-	460*	(3)*
Trevor Pearce	16,499	0-2.5*	-	15-20*	-	340*	31*
David Armond	14,086	0-2.5	-	15-20	-	337	(2)
Gary Chatfield	12,682	0-2.5	-	10-15	-	267	11
Tim Symington	11,162	0-2.5	7.5-10	35-40	105-110	612	0
Donald Toon†	134	0-2.5	0-2.5	15-20	55-60	329	1

\* These figures represent the values for the full year.

† Donald Toon was employed by the NCA on the last day of financial year 2013-14.

The DG and DDG were members of the Police Pension scheme. Whereas there is a presumption that information about named individuals will be given in all circumstances, it has not been possible for the police pension scheme administrator used by the NCA to actuarially determine the present value of promised retirement benefits fully in the format described under EPN380 for this period.

Employer pension contributions made by the NCA for the period 7 October 2013 to 31 March 2014 are shown below.

	Employer Pension contributions in 2013-14 £
Keith Bristow	21,651
Phil Gormley	21,320

## Serious Organised Crime Agency 1 April 2013 – 6 October 2013

	Employer Pension contributions in 2013-14 £	Real increase in Pension 2013-14 £'000	Real increase in lump sum 2013-14 £'000	Total Accrued Pension at age 60 in 2013-14 £'000	Total Lump Sum at age 60 in 2013-14 £'000	Cash Equiv Transfer Value 2013-14 £'000	Real Increase in Cash Equiv Transfer Value 2013-14 £'000
Trevor Pearce	18,044	0-2.5	-	15-20	-	310	23
Malcolm Cornberg	10,800	0-2.5	-	20-25	-	443	22
Bradley Jones	588	(5.0)-(7.5)	40-42.5	5-10	40-45	154	(55)
Gerry Liddell	13,053	(0)-(2.5)	22.5-25	45-50	160-165	987	3
Stephen Webb	4,199	0-2.5	-	35-40	-	453	-
Robert Lauder	12,227	0-2.5	-	15-20	-	280	14

The Non-Executive Directors in SOCA were non-pensionable appointments.

## Police Pension scheme (PPS)

Directors with a police pension are either members of the Police Pension scheme 1987 or the Police Pension Scheme in Scotland.

The Police Pension scheme 1987 is a 'final salary' scheme, the pension calculated as a proportion of final average pensionable pay, generally pay in the last year of service as a member of the scheme. The pension received depends on pensionable service, which for most officers will be the length of service in the police force for which they have paid pension contributions, with appropriate adjustments for part-time service. 30 years' service is required to qualify for the maximum pension.

The Scheme provides the following benefits:

- A maximum pension is two-thirds of average pensionable pay;
- There is an option to exchange ('commute') part of the pension for a lump sum;
- Average pensionable pay is in effect the highest pensionable pay for the three years before retirement; and
- Each year of pensionable service for the first 20 years gives entitlement to a pension of 1/60 of final pay and each year for the final 10 years gives 2/60, up to a limit of 40/60.

The pension for the Director General is administered by the NCA. Seconded Directors who are police officers, are members of the pension schemes managed by their respective police forces.

As part of this scheme, the NCA accepts liability for payment of the pension benefits in respect of the officer's past service with a police force, although no transfer values are payable from a former employer in respect of this liability, as well as their pensionable service while employed by the agency. Pension benefits are paid as they fall due from NCA resources. Pensions paid in the year are charged against the Pension Provision (see Accounts and Notes to the Accounts). In order to comply with HM Treasury's Financial Reporting Manual and Accounts Guidance, the NCA is required to provide in these accounts for the full value of the expected future pensions liabilities of the officers. The NCA commissioned the Government Actuary Department (GAD) to value the scheme liabilities as at 31 March 2015. For further detail see note 3d to the Accounts.

## Civil Service Pensions

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

Employee contributions are salary related and range between 1.5% – 6.85% of pensionable earnings for classic and 3.5% – 8.85% for premium, classic plus and nuvos. Increases to employee contributions were applied from 1 April 2014. Benefits in classic accrue at the rate 1/80 of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60 of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos, a member builds up a pension based on his or her 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 up rated in line with Pensions Increase Legislation. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

New Career Average pension arrangements will be introduced from 1 April 15 and the majority of classic, classic plus, premium and nuvos members will join the new scheme.

Further details about the Civil Service pension arrangements can be found at:  
[www.civilservice.gov.uk/my-civil-service/pensions/index.aspx](http://www.civilservice.gov.uk/my-civil-service/pensions/index.aspx)

## **Cash Equivalent Transfer Values (CETV)**

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

## **Real Increase in CETV**

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period. Where the individual was not in post for the full year, the CETV at 31 March 2014 represents the value as at their start date and the CETV at 31 March 2015 represents the values as at their end date.

The actuarial factors used to calculate CETVs were changed in 2011–12. The CETVs at 31 March 2014 and 31 March 2015 have both been calculated using the new factors.

## **Related Party Transactions**

The Directors' related party transactions for the period 1 April 2014 to 31 March 2015 have been fully disclosed under note 17 and are reported below.

No related Party transactions took place in the period to 31 March 2015.

### **Keith Bristow QPM**

Director General and Accounting Officer, National Crime Agency

23 June 2015

# Statement of the Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the NCA to prepare for each financial year a Statement of Accounts in the form and on the basis set out in the Accounts Directions. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the NCA and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

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

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

The Secretary of State for the Home Department has appointed the Director General as Accounting Officer of the NCA. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the NCA's assets, are set out in Managing Public Money published by the HM Treasury.

**Keith Bristow QPM**

Director General and Accounting Officer, National Crime Agency

23 June 2015

# Governance Statement 2014–15

This Governance Statement provides information on the structure of internal control, risk management and corporate governance in the National Crime Agency (NCA) for the period 1 April 2014 to 31 March 2015.

## Statement

Director General: **Keith Bristow**

Area of responsibility: **National Crime Agency**

As Accounting Officer of the NCA, I have personal responsibility for maintaining a sound system of governance, internal control and risk management within the agency to ensure delivery of its mission and priorities and in support of wider government policies, aims and objectives, whilst safeguarding public funds and departmental assets.

I confirm that I have reviewed the governance, internal control and risk management arrangements in operation within my area of responsibility at the end of the 2014–15 period. The NCA has maintained a system of internal control throughout the period 1 April 2014 to 31 March 2015 which accords with HM Treasury guidance. During the reporting period, the NCA suffered an equipment failure, which resulted in an ICT outage. Business continuity planning was invoked to minimise the impact and plans have now been put in place to prevent a reoccurrence. The agency also inherited poor information management processes which have required active management through the NCA Change Programme and the NCA Board. Apart from these issues, which are covered further in this statement, there were no other failures that merit mention in this statement.

The system of governance, internal control and risk management is designed to manage, rather than eliminate, the risk of failure to achieve policies, aims and objectives; it can therefore only provide general, and not absolute, assurance of effectiveness.

I am satisfied that the NCA's control framework is adequate, having been provided with regular assurance from Directors at the NCA Board. The framework also takes into account the external environment in which the agency operates, in accordance with the Framework Document. However, we acknowledge there is room for improvement.

## Governance

The NCA is a Non-Ministerial Department. The Director General is appointed by, and directly accountable to, the Home Secretary and, through the Home Secretary, to Parliament. The Home Secretary determines the strategic priorities for the NCA and holds the Director General to account for the effective discharge of the NCA's functions. The Director General has independent operational command of the NCA activities. The role and responsibilities of the Home Secretary and Government are set out in greater detail in the Framework Document for the NCA, first laid before Parliament in October 2013,<sup>22</sup> with an updated version published in May 2015. The NCA is also subject to scrutiny by the Scottish Parliament and Northern Ireland Assembly.

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<sup>22</sup> Pursuant to para 6 (2) (c) of Schedule 2 to the Crime and Courts Act (2013).

## Northern Ireland

The most significant change to governance arrangements affecting the NCA in 2014–15 concerned the NCA's operations in Northern Ireland.

As the Northern Ireland Executive had voted in January 2013 against legislative consent for the Crime and Courts Act 2013, the NCA's activities in Northern Ireland were restricted to reserved/excepted matters. Our officers in Northern Ireland are not therefore designated with the powers of a Northern Ireland constable though they are designated with customs and immigration powers. Linked to those powers, NCA officers are able to access some of the Police and Criminal Evidence Act 1984 (PACE) modified powers available to customs officers and immigration officers.

Throughout the year, discussions continued between the NCA, the Home Office, and the Northern Ireland Department of Justice (DoJ) to secure agreement for a fully operational NCA in Northern Ireland.

Following extensive discussions between the key stakeholders, in January 2015 the Department of Justice in Northern Ireland presented an alternative means to achieving Assembly consent for a fully operational NCA in Northern Ireland, via a private members' bill. A motion to consent to the draft Crime and Courts Act 2013 (National Crime Agency and Proceeds of Crime) (Northern Ireland) Order 2015 was debated in the Northern Ireland Assembly in February 2015. Following Assembly consent, the Order was formally made in Parliament on 19 March 2015. Some aspects of the legislation came into effect almost immediately such as administrative requirements around the Framework Document, and the Annual Plan. Other matters came into effect in May 2015, such as the designation of NCA officers with powers of a Northern Ireland constable, at which point the NCA became fully operational in Northern Ireland.

Work has now commenced on the Memoranda of Understanding required to support our relationships with Northern Ireland partners in the new operational environment.

## Role and Composition of the Board

The NCA broadly complies with the principles as set out in 'Corporate Governance in Central Government Departments: Code of Good Practice' (Cabinet Office, July 2011).<sup>23</sup> In accordance with the specified governance arrangements in the Framework Document for the NCA, the agency was led during this period by a board of up to ten senior operational leaders of the NCA and up to four non-executive members, with the role of Chair of the Board being held by the Director General/Accounting Officer. The composition of the Board varied during the year, due to senior management changes and a non-executive member leaving; details of attendance and composition are below.

Through its operation, the Board assures sound financial management; sets the NCA's risk appetite and ensures appropriate controls are in place to manage risk; scrutinises the performance of the agency; and ensures that the NCA has the capacity to deliver against current and anticipated needs.

This role is delivered through a series of standing agenda items, including performance reporting, finance reporting and updates on Novo – the NCA's transformation programme, as well as through updates as required on major investments and contracts. A committee structure further enables the Board to discharge its role, with sub-committees for: Audit and Risk Assurance; Senior Appointments; Investment; Change and Executive Leadership.

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<sup>23</sup> The Code states that its focus is on ministerial departments. Non-ministerial departments and arms length bodies are encouraged to adopt the practices set out in the Code wherever this is relevant and practical. As the NCA is a non-ministerial department, much of the Code is not applicable or appropriate to follow. The NCA's specific governance and accountability arrangements are covered by the Crime and Courts Act 2013 and within the NCA Framework Document.

The Board receives timely and detailed reports on the standing agenda items, which are sponsored and presented by a Board member. Board members also raise additional items for each meeting as appropriate. Presentations are requested either to inform the Board or to enable rigorous challenge where concerns are raised.

Board members' attendance for the period 1 April 2014 to 31 March 2015<sup>24</sup> was:

Board Member	Actual Attendance	Possible Attendance	Percentage Attendance	Comments
<b>Senior Operational Leaders</b>				
Keith Bristow	9	10	90%	
Phil Gormley	9	10	90%	
David Armond	9	10	90%	
Gary Chatfield	2	2	100%	Appointed as temporary Director of Investigations from October 2014 to December 2014.
Ian Cruxton	6	7	86%	Appointed as temporary Director of Organised Crime Command from July 2014.
Johnny Gwynne	10	10	100%	
Gordon Meldrum	6	8	75%	Until December 2014
Trevor Pearce	4	6	67%	Until October 2014 <sup>25</sup>
Jamie Saunders	6	8	75%	From June 2014
Sue Steen	8	9	88%	Appointed as temporary Director of Corporate Services from May 2014. This was made permanent in April 2015 following a competitive recruitment process.
Tim Symington	8	10	80%	
Donald Toon	7	10	70%	
Stephen Webb	1	1	100%	Director Corporate Services until May 2014.
<b>Non-Executive Directors</b>				
Justin Dowley	9	10	90%	
Jonathan Evans	8	9	88%	Until March 2015 <sup>26</sup>
Jane Furniss	8	10	80%	
Stephen Page	9	10	90%	

Summary records of Board meetings and of Board members' registers of: interests; gifts and hospitality; and expenses are published on the NCA website. Board members are reminded of their requirements to highlight any potential conflicts of interest at the start of each meeting.

<sup>24</sup> The frequency of the NCA Board meetings changed from monthly meetings between April and October to meetings every alternate month from November 2014.

<sup>25</sup> In October 2014, Trevor Pearce ceased to be a member of the Board when he became NCA Director of Specialist Investigations, responsible for leading Operation Stovewood, an independent investigation examining criminal allegations of non-familial child sexual exploitation and abuse.

<sup>26</sup> Lord Evans resigned as a Non Executive Director of the NCA in March 2015.

## **Board's Effectiveness**

The Board has considered its performance as part of an annual effectiveness review and assessed that it has operated effectively in this period. Board meetings are led in a professional and efficient manner allowing for open discussion by all members and an appropriate level of challenge.

Meetings are well managed, with supporting written material and agendas provided in advance. Improvements introduced to: the structure of agendas; addressing key strategic matters; and tighter control over the type and length of supporting papers, are further enhancing Board meetings.

The overall attendance at meetings is good. Members have a clear working knowledge of the agency's remit and purpose, are involved in other governance meetings and have advisory roles. Non-executive directors advised the Board in the discharge of its responsibilities, including through the Audit and Risk Assurance Committee (ARAC).

Work will be done to streamline the induction process and onward development programme for Board members, and current work around Leadership development will aid this process.

A Board effectiveness review was carried out in March 2015 and was the second annual review for the NCA Board. The Board considered its findings in May 2015 and resulting actions will be implemented with a view to continuous improvement of how the Board and its decision-making processes work. Areas recognised as still under development though generally improving include the NCA's performance assessment and use of sub-committees.

The Board received regular updates and discussed key issues relating to the governance of the agency, including: financial data, monitoring the financial management of the agency; performance data, contributing to the continuing development of the agency's performance reporting framework; workforce planning and organisational structures; updates on Novo, the agency's transformation programme and updates on engagement and people survey feedback. Actions arising from discussion were assigned to members, and progress monitored at subsequent meetings. Sub-committees regularly updated the Board with matters of strategic importance and where required issues were referred to the Board for review and sign off.

Representatives from different areas of the agency were invited to attend the Board to enhance members' understanding of key pieces of activity, processes or responsibilities.

During the period, the NCA Directors and I also met with the Home Secretary, government ministers and senior officials to update them on a wide range of issues. This also included performance review meetings and ministerially-chaired cross-Whitehall meetings. I also gave oral evidence to the Home Affairs Select Committee inquiry on the work of the NCA on 14 October 2014 and again on 24 February 2015 on the scale and nature of serious and organised crime and the NCA's response to it.

## **Audit and Risk Assurance Committee**

The NCA Audit and Risk Assurance Committee's (ARAC) membership comprises three NCA non-executive directors, one of whom is Chair. Also in attendance are the Accounting Officer (DG NCA), Director of Corporate Services, the Deputy Director responsible for the NCA finance, the Deputy Director responsible for standards, security, performance, planning and risk, the NCA's Risk Manager, the Senior Information Risk Owner (SIRO), the Home Office's Chief Internal Auditor, Head of Internal Audit for the NCA and representative(s) from the National Audit Office (NAO).

On behalf of the NCA Board and the DG (as Accounting Officer), the Committee oversees the management of risk and other assurance controls necessary for the appropriate governance of the NCA. From 1 April 2014 to 31 March 2015, the Committee met five times. Members received reports and analysis of data, enabling them to review risk management processes, internal audit, corporate compliance coverage and financial updates, challenging where appropriate and obtaining assurance on the quality of the data submitted.

In particular the Committee considered:

- the NCA's Annual Report and Accounts 2013–14 and SOCA's Closure Accounts 2013 together with the NAO associated reports;
- financial updates;
- Internal Audit work. Key improvement themes arising from assignments completed this year, and discussed by the Committee, include: the need for greater compliance with processes and strengthening of the management oversight functions (second line of defence). The audit programme included reviews of contract management, absence management, bureau services, accounts payable, leavers, corporate governance and risk management; and
- strategic risks managed within the NCA Corporate Risk Register.

The ARAC will also conduct a review of its effectiveness during 2015–16.

## **Risk Management Framework**

Risk management remains at the core of the NCA activity and is embedded across the agency. The NCA introduced a streamlined risk management framework, designed around management of risk best practice, and is focused on ensuring risks are managed at the most appropriate level. Our risk management policy and operating procedure support delivery of the framework by clearly defining the risk management process and responsibilities within it.

A central risk management team engaged across the agency to support compliance with the risk framework. This was aided through the establishment of an NCA Risk Improvement Forum which shares best practice and enables coordinated risk management activity across the agency.

Risks subject to active review and management at Director level were recorded in a risk register and subjected to regular scrutiny. A risk moderation panel was established to oversee the escalation of risks to the DDG or Director level ensuring appropriate oversight of the NCA's risks. On a minimum of a quarterly basis, corporate risks were subject to formal scrutiny by the NCA review and assurance mechanisms.<sup>27</sup>

Opinion on the adequacy of risk management processes and controls may also be presented as a result of external inspection. Legislation provides for various bodies to undertake inspections of the NCA functions or activities, or provide opinion on the adequacy of risk management processes and controls including:

- The Office of the Surveillance Commissioner;
- The Office of the Interception Commissioner;
- The Office of the Information Commissioner;
- Her Majesty's Inspector of Constabulary (HMIC);
- The Independent Police Complaints Commission (IPCC);
- The Police Investigations and Review Commissioner (in Scotland);
- Police Ombudsman for Northern Ireland; and
- The National Audit Office (NAO).

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<sup>27</sup> This process was overseen by the Risk, Assurance and Security Group from April 2014 – October 2014, after which the group's functions were absorbed by the NCA Strategic Meeting. The NCA Strategic meeting considers emerging issues related to capabilities, resource and performance, examining the risk, response and results to ensure appropriate NCA resources are aligned to the identified serious and organised crime threats. In addition, it also maintains oversight of the NCA's risk, assurance and security arrangements.

All recommendations from inspections completed within 2014–15 have been, or are being, addressed, and we continue to work with key stakeholders, both internally and externally, to ensure any outstanding activity is appropriately completed.

The HMIC report 'An Inspection of the NCA' was published on 12 March 2015. HMIC found that the NCA is discharging its statutory functions, and that work is underway to further strengthen its capabilities. It found that the NCA inherited weaknesses in its information technology, analytical capability and relationships with police from its precursor agencies. But HMIC was satisfied that, at the time of the inspection, significant work was already underway to improve this position. The inspection also found that considerable improvement has already been made to key partner relationships including those with police forces. Against this background, the Report concludes that the NCA has made a strong start since its establishment in 2013 and that its leadership understands the capabilities the NCA needs to develop, has good plans in place to develop them and is on a trajectory to achieve its aims.

The Office of Surveillance Commissioners carried out its annual inspection of the NCA in May 2014. I received the final report in June 2014 which, on the whole, was complimentary about our governance arrangements, with some minor observations and suggestions for improvement which have been acted on during the year. Governance of authorities issues will be further improved by the creation of a combined Central Authorities Unit in April 2015 which will manage all Covert Human Intelligence Sources (CHIS), Undercover Officers (UCO) and surveillance authorities.

During 2014–15, the HUMINT<sup>28</sup> team has implemented changes as required by new legislation (SI 2013/2788 – The Regulation of Investigatory Powers (Covert Human Intelligence Sources: Relevant Sources) Order) and also began preparations to implement recommendations arising from an HMIC report into undercover policing (An Inspection of Undercover Policing in England & Wales: HMIC, 2014).

The Home Office Internal Audit team has recently completed a review to determine the level of NCA compliance with the Corporate Governance Code, along with relevant guidance provided in Managing Public Money, the Audit Committee Handbook and the Civil Service Code. This was to provide assurance that the NCA has effective organisational structures underpinned by clear policy and procedures for key organisation processes.

The Home Office Internal Audit team observed that foundations for a solid, workable governance framework have been put in place and there is a strong drive for transparency and openness. Key requirements regarding Board composition and protocols have been complied with and there have been sessions to reflect on Board effectiveness, which have helped further shape arrangements.

The Internal Audit Team advise however that further work is required in order for the organisation to declare that it is fully compliant with the Code. For example, an up-to-date Fraud and Whistle-blowing policy is needed, the Investment Committee needs to become fully functional and budget delegations need to be formalised. The new risk management process also needs to be properly captured and communicated.

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

The NCA manages a range of risks across operational and enabling functions. Our focus this year has been the effective management of risks to the NCA's mission of leading the UK's fight to cut serious and organised crime.

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<sup>28</sup> HUMINT is a term used to describe intelligence gained from human sources as opposed to via any technical means. HUMINT sources can include CHIS (Covert Human Intelligence Sources) or UCO (Undercover Officers) as well as other persons who may provide intelligence.

The highest category risks to the agency are recorded on a Corporate Risk Register, which is updated and formally reviewed by the NCA Strategic meeting and the NCA Board on a quarterly basis. The significant in-year risks are listed below:

- Two ICT risks relating to the modernisation of the agency's ICT equipment and the ongoing resilience of its core system. These were subject to active management through the NCA change programmes;
- Two information management risks relating to the appropriate management of the NCA corporate record, including legacy and archive material, were subject to active management through NCA change programmes; and
- Legislation enabling the NCA to be fully operational within Northern Ireland has been subject to active engagement by the Command Team.<sup>29</sup> In February 2015, the Northern Ireland Assembly agreed to the making of an Order which will enable the NCA to become fully operational in Northern Ireland. Legislation has now been passed by the Northern Ireland executive and laid in Parliament to allow this from 20 May 2015.

Timely reporting of issues to the Home Secretary via the Home Office NCA Oversight Team is also embedded into the agency's operating processes.

## **Operating in a digital age**

We are very aware that the NCA faces significant risks of loss of intelligence product, and loss of the ability to disrupt criminal behaviour, if we are unable to keep pace with society's move into the digital age. Law enforcement, especially at the 'high end' where we operate, is critically dependent on obtaining access to communications between criminals, and to the digital footprint left by criminals as they use mobile devices and online services. As we modernise our intelligence processes we will also be increasingly reliant on other indications of pattern of life (including for example social media content, web browser traffic, mobile geolocation data) which allow us to identify and pursue criminal behaviour.

Our performance this year has begun to reflect the complexities which we face. Although so far we have still been able to produce adequate operational results, we are seeing signs of pressure in CEOP (where we face long delays in translating intelligence leads about IP addresses into real people; delays which can impact operational activity), cyber and cyber enabled activity (where we are facing increasingly complex 'encryption by default' among criminal groups); and across all our commands where international collaboration is becoming more important to operations but harder to navigate.

We expect that each future year will bring further challenges and we are working closely with Government and partners to find a way forward. I view this risk as significant for NCA and indeed law enforcement more broadly: we must find a way to operate in a digital age which is both effective and acceptable to the public.

## **Health and Safety**

The NCA's Health and Safety Management system BS 18001 provides a comprehensive framework for safety risk management and Board level assurance.

Compliance with the associated health and safety business plan is reported quarterly using an approved 'dashboard'. The dashboard is monitored by the Health and Safety Steering Group, who provided assurance to the NCA Board; this provided a strategic view of health and safety performance, assurance, monitoring and a framework for organisational risk management. In general, recorded compliance levels have been good.

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<sup>29</sup> The Command Team comprises the DG, DDG, executive Directors, NCA legal adviser, Chief Information Officer and DD Corporate Affairs.

A three year Health and Safety Audit Plan was commissioned by the Board for presentation and endorsement by the Audit and Risk Assurance Committee. The plan will support the monitoring of compliance with the requirements of BS 18001 and ensure continued improvement. At Board level there is a Health and Safety Champion.

## **Security Incidents and Breaches**

As the UK's agency responsible for pursuing cyber criminals, we are operating against sophisticated adversaries who have strong capability and intent to disrupt our operational services. We therefore recognise that a robust security posture, and resilience in the case of a security incident, is required.

Our resistance to external attacks has been good; but the threat levels continue to increase in sophistication and volume and we are continually reviewing our security posture to maintain a robust security stance. Much of this is dependent on addressing weaknesses in our systems and processes inherited from our precursor organisations, discussed elsewhere in this Statement.

In 2014–15, the number of security incidents and breaches recorded reflected an increase of almost 13% over the previous year (in which the transition from SOCA to the NCA took place). The events were dealt with using an established, robust and well-managed system. Each was placed onto the corporate record and analysed by the Standards and Security Incidents Team.

In addition to the events referred to above, and as a result of a Board led focus on cyber and 'insider' threats, Standards and Security undertook work to identify and mitigate any vulnerability the agency may have through the connection to the network of mobile devices, with the potential to compromise systems. A programme of education and awareness has been instigated to highlight the risks inherent in unauthorised connection and to prevent such instances occurring.

In respect of the majority of incidents, advice and mitigation continued to be provided by the Standards and Security Department and lessons learned were recorded. Each month, information was prepared for the Departmental Security Officer who decided, in consultation with senior colleagues, whether specific initiatives should be taken. A quarterly dashboard, analysing the incidents of statistics was also prepared for the Risk, Assurance and Security Strategy group and its successor the NCA Strategic meeting.

Two personal data incidents during this period were reported to the Information Commissioner. Data incidents tended to be isolated errors or acts with a limited impact and internal reviews found these did not indicate systemic weaknesses in the controls.

## **Business Continuity Planning**

The NCA has policy, operating procedure and plans in place in relation to its critical functions, which enables the agency to prepare for and react to disruptive incidents. These ensure that the agency's critical functions continue to deliver to an agreed level during these incidents; these functions are identified by the NCA Command Team.

The definition of a critical function is one where the failure to ensure continued delivery could threaten life, legal compliance and/or the reputation of the agency.

A Business Continuity Plan (BCP) is maintained within the appropriate NCA area for each critical function. Each plan has an identified local owner, with management accountability at deputy director level.

The review and stress testing of BCPs at regular intervals is overseen by a central monitoring mechanism. Opportunities for improvement identified through these processes are managed locally and implemented

as soon as practicable. During the year a number of the NCA areas have invoked their plans in response to incidents, and other areas have reviewed their plans and implemented local tests. In particular, BCPs were successfully invoked following equipment failure, which resulted in an ICT outage in December 2014; following which, mitigation action was undertaken during April 2015 to prevent a reoccurrence. Non-compliance with the review of BCPs and testing cycle process is escalated to relevant Deputy Directors, for remedial action.

## **ICT Continuity Management**

ICT management in the NCA is grouped into two areas: service assurance and modernisation of the core infrastructure (the Modernisation Programme); and development and implementation of additional equipment and systems (Capability Development). These are brigaded under the Science, Technology & Engineering Department.

The ICT Modernisation Programme relates to the delivery of the multi-million pound contract awarded in 2011 between the Serious Organised Crime Agency (SOCA) and the Prime Contractor Logica (now CGI) supported by their tier 1 sub-contractors; the overall delivery team were branded as 'izd'. In addition to carrying out ICT Modernisation, CGI was also contracted to provide business as usual (BAU) services in support of SOCA's ICT infrastructure (managed under Service Assurance). The current contract is agreed until 2021 with an option to break early in 2018 and an option to extend for two years after the contract ends.

Capability Development work is managed through Contract Change Notices (CCNs). Much of the activity under Capability Development during early 2014–15 related to follow-on integration work from the absorption of equipment and systems from a number of other precursor bodies into the NCA in October 2013. This continuity of capability was well delivered and planning continued to phase these changes into the ICT Modernisation scope. Other Capability Development activity has focused on enhancing legacy services in lieu of the modernised services being available or on point specific solutions in advance of the major initiatives being worked up in the Novo Programme.

Progress on ICT Modernisation has continued to require substantial engagement on our part, far in excess of what was expected. Following a review, CGI formally declared the need for a major Correction Plan at the end of 2013–14. Work has continued on a substantial re-design of the core desktop solution, in parallel with the necessary commercial activity and delivery re-planning through 2014–15. This led to a formal re-baselining and governance approval of the CCN's in December 2014. To protect the delivery of the core ICT infrastructure, some of the less essential capabilities that had originally been deferred in the previous year were 'removed', enabling CGI to concentrate on delivery of a mainstream desktop environment.

Delays in delivery of the Modernisation activity slowed whilst the Correction Plan was being developed, with activity continuing on a series of parallel delivery projects, to avoid impact on operational activity. This was manageable as ICT Modernisation is not a single work stream, but rather a programme of multiple projects which together will ultimately form the Modernised ICT infrastructure. During the reporting year we have seen steady progress on the design and delivery of the first iteration of the modernised desktop with a successful business confidence pilot undertaken and 60% of the national rollout completed by the end of March 2015. In addition further work was completed on migrating gateways and applications from sub-optimal facilities in London to secure and resilient data centres.

Service levels are broadly acceptable but are showing signs of deteriorating in the absence of modernisation and/or systematic upgrades to the legacy environment. CGI responsiveness to customer issues is improving and service improvement plans have now been agreed within the CCN to ensure this continues. Some of the prioritised modernisation work streams have delivered significant 'back end' improvements (for example a unified national Wide Area Network with significant and encrypted capacity,

and the commencement of the migration of data into secure data areas with robust disaster recovery, and improved gateways to external partners). However, the delay in delivering the final capabilities planned has resulted in the NCA having to retain sub-optimal systems and equipment, which has increased operational and organisational risk.

The NCA suffered a serious ICT outage over the period 24–26 December 2014 and, whilst the root cause was failure of air conditioning resulting in ICT systems failing or closing down, the impact highlighted the organisational and operational risks associated with this type of failure, and the importance of having disaster recovery and business continuity planning in place relating to ICT capability until the Modernisation Programme has been completed. After the year end, planned work was undertaken to mitigate any reoccurrence of this failure. These risks and the associated risk management plans are regularly reviewed by the NCA Strategic Meeting. In addition, as part of the Correction Plan, Gateway services and applications will be assessed for technical refresh opportunities for the obsolete software components as they are migrated to the new off-site data centres.

Governance arrangements for the Contract and the overall relationship are improved following the good partnership based activity on the Correction Plan, with weekly project reviews of issues and risks. The contract, delivery and progress were, and continue to be, the subject of close scrutiny at CGI and the NCA Board level. There is also scrutiny from the Home Office and Cabinet Office in relation to progress and benefits realisation. Progress is subject to Major Projects Authority (MPA) Gateway Reviews and assessments, which produce recommendations that have been implemented resulting in the Correction Plan. The MPA Delivery Confidence Assessment from the last Gateway Review in February 2014 was AMBER/RED, with the next external review planned for Q2 2015–16 where it is expected there will be recognition of the improvements in delivery and commercial relationships with the supplier. However, there remain a number of significant challenges to be faced during 2015–16 if the NCA is to complete the delivery of the modernised environment that reduces the current strategic risk and provides a secure platform that can support the delivery of the NCA's Transformation Programme.

## Performance Management

The NCA's performance framework was based against four key performance questions (KPQs) supported by 22 sub questions.<sup>30</sup> The KPQs and sub questions are aligned to the NCA's vision to be 'a world-class law enforcement agency, internationally recognised and respected for leading the fight to cut serious and organised crime'.

The four KPQs for 2014–15 were as follows:

- KPQ 1 – How comprehensive is the NCA's understanding of the threats?
- KPQ 2 – How effective is the NCA's response to these threats?
- KPQ 3 – How effective is the NCA at working with partners?
- KPQ 4 – How effectively does the NCA manage resources?

On a quarterly basis the NCA Board discussed the performance dashboard, which assesses performance against each of the sub-questions and highlights significant changes.

I also attend quarterly performance meetings with the Home Secretary, where the performance dashboard is used to provide assurance that the NCA is delivering its mission and, in particular, is relentlessly disrupting groups, individuals and vulnerabilities that have been identified as presenting the greatest threat to the UK.

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<sup>30</sup> The Government agreed the four KPQs when the NCA became operational in 2013, and have been subject to review on at least an annual basis. The NCA Annual Plan 2015–16 provides details of the most recently agreed KPQs.

Performance is a standing agenda item for NCA Strategic and NCA Tactical meetings<sup>31</sup> where further scrutiny is given to the NCA performance against the National Control Strategy threats. The focus of these meetings was to ensure that the NCA response and results were aligned to those threats identified as priority threats.

In the NCA's leadership role, the agency has provided in-depth performance reporting on the national picture structured using a '3Rs' model – Risk, Response, Results – and the National Control Strategy threats. This scrutiny of performance through National Tasking and Intelligence meetings has contributed to national law enforcement's improved collective understanding and agreement of the threats. In October 2014, as a result of the regular six-month review of the strategic threat picture by the National Strategic Tasking and Coordination Group (NSTCG<sup>32</sup>), it was agreed the response to the risks posed from child sexual exploitation, organised immigration crime and firearms would be prioritised; this is a significant step forward, which would not have been possible prior to the launch of the NCA and the establishment of its national tasking and coordination structures.

## Financial Management

The NCA has implemented effective financial management in accordance with HM Treasury (HMT) principles, ensuring regularity, propriety and value for money for NCA expenditure. The period 1 April 2014 to 31 March 2015 was the first complete financial year for which the agency has been in operation.

The NCA secures its budget settlement directly from Parliament through the Main Estimate process. The Main Estimate reflected priorities set by the Home Office and agreed with HMT in alignment with the 2010 Comprehensive Spending Review (CSR). The Main Estimate was approved in April 2014 following submission in March 2014. This budget covered the financial year from 1 April 2014 to 31 March 2015.

Internally, budget setting was undertaken in advance of the 2014–15 period. The budget was formed by appropriately adjusting the agreed budget from the previous fiscal year. In addition, the Main Estimate incorporated the risk associated with the resource expenditure to finance the 2014–15 Voluntary Exit Scheme (VES) as approved by the Cabinet Office.

Annually Managed Expenditure (AME) requirements were managed and included in the Main Estimate. The AME budget provided for Police Pension Scheme actuarial valuations and other NCA provision increases.

Financial risks in 2014–15 were recorded and reviewed on a monthly basis. Significant areas included:

- Financial Control – budgets and financial management reporting;
- Statutory Financial Reporting – obligation for PAYE Settlement Agreement changes, submission of VAT returns and NCA accounts prepared to relevant rules and regulations;
- Ensuring financial and integrated systems were fit for purpose – increased risk management surrounding implementation of new financial and procurement systems;
- Statutory accounts – agreed timetables for the preparation and audit of the NCA 2014–15 year accounts; and
- Governance and financial delegations – external and internal governance documents updated including the HM Treasury Delegation Letter, Scheme of Delegation, bank mandates and the Board approved Financial Regulations.

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31 The NCA Strategic meeting considers emerging issues related to capabilities, resource and performance, examining the risk, response and results to ensure appropriate NCA resources are aligned to the identified serious and organised crime threats. In addition, it also includes oversight of the NCA's risk, assurance and security arrangements. NCA Tactical meetings consider the appropriate and best use of resources across the NCA Commands, making recommendations as to where resource or capability may need to be re-directed, stop being employed, or propose alternative solutions to ensure that NCA resources remain aligned to the risks.

32 The National Strategic Tasking and Co-ordination Group is chaired by the NCA Director General and meets every six months. The group's membership is composed of senior leaders from the police and other organisations and provides the strategic leadership to the national tasking and coordinating structure for serious and organised crime. It is responsible for setting and reviewing the National Strategic Assessment and allocates threats and cross-cutting issues to multi-agency strategic governance groups (SGGs).

Capital programmes were closely monitored, with a comprehensive finance review of all business cases. Regular forecasting of investment costs and depreciation were undertaken. The agency requested £1.8m unallocated funding be redeployed to the 2015–16 allocation from 2014–15 through an approved budget exchange process. Following a request from the Home Office for any unallocated capital funding to be returned, the NCA undertook a detailed review of its planned capital spend and was able to return £6m. Further funding for specific NCA investment projects was obtained following approval from the Cabinet Office with appropriate governance arrangements in place, in line with the Financial Authorisation limits in the NCA's Financial Regulations.

In addition to standard financial governance requirements (incorporated in Managing Public Money and the Financial Reporting Manual), our financial governance was controlled externally by HM Treasury through a delegation letter and by the Home Office in line with the published Framework Document together with Cabinet Office additional controls. These documents detail the delegated limits for a range of financial approvals for both capital investments and resource expenditure. Internally, all financial policies were reviewed for suitability of application in the new agency, including alignment with the external governance documents. The Financial Regulations were updated and approved by the NCA Board in May 2014.

Finance and Commercial collectively manage any commercial risks, with a professionally qualified commercial team challenging proposed delivery plans and pricing mechanisms presented by suppliers, to ensure that the agency obtains value for money and delivery to agreed milestones.

Finance and Commercial has continued to work with HM Treasury and the Home Office to regulate, inform and report as per agreed protocols on any indemnities that may give rise to potential liabilities incurred by the agency.

The NCA published its Annual Report and Accounts for the year ended 31 March 2014; this included an unqualified audit opinion.

Finance and Commercial also liaised closely with HM Treasury on its Finance Transformation Programme, and shared best practice with other government departments to ensure the agency benefited from collective experience and expertise. The NCA will continue to build on its good record of financial management through its commitment to continuous improvement of processes, systems and how it supports budget holders as well as the overall governance of the agency.

## **Managing Risk of Financial Loss (MRoFL)**

The agency continued to adopt a MRoFL approach which embedded a systematic assessment of the risk of financial loss arising from the operation of financial processes.

Building on the experience from the previous financial period, the NCA's use of the MRoFL process has progressed. The NCA's Internal Audit programme for the 2014–15 period was agreed to provide reassurance of effective application of NCA policies and procedures. Finance worked closely with Internal Audit specifically in the areas of accounts payable and contract management to assist with minimising the risk of fraud in the agency.

Particular risks identified during 2013–14 were the implementation of new finance and commercial systems and updated banking arrangements which increased potential transaction risk. These were managed during the 2014–15 roll out to reduce the risk to a negligible level.

# People Management

## Workforce planning, resourcing

The NCA has been reshaping its workforce to grow front line core capability by increasing officer numbers at Grade 5 and Grade 6,<sup>33</sup> enabling more capacity in the agency's operational resources. Alongside this, the NCA is seeking to promote more collaborative working across command areas, to identify economies of scale and optimise the use of resources. The introduction of a Workforce Planning Group has enabled the agency to plan its resourcing requirements at each grade as well as supporting changes under Novo. The NCA estates strategy has also been aligned to support closer working with law enforcement partners to maximise operational capacity and delivery, whilst enabling the agency to work within its financial constraints.

Recruitment to the NCA Trainee Officer programme<sup>34</sup> started in November 2013, with over six thousand applicants. The NCA appointed 272 officers in tranches over the last year.

Trainees sit the National Investigator Exam within approximately six months of joining the agency. In November 2014, 100 NCA officers took the exam and 95 passed. This significant success rate is higher than the overall pass rate across law enforcement of 74.4% and is a credit to the officers themselves, the training and support they received.

Additional development of our workforce has included:

- The introduction of mentoring opportunities through the Minority Ethnic Talent Association (META) for black and minority officers at Grade 1/Grade 2 level who have the ambition and potential to become future senior leaders;
- The adoption of the Civil Service Positive Action Pathway, equipping officers from Grade 6 to Grade 1 with the skills and confidence to realise their full potential and to assist with career progression. The programme is aimed at women, minority ethnic, LGBT<sup>35</sup> and disabled officers; and
- The recruitment of further NCA Specials, with 37 Specials now in place, with key skills in: cyber security; commercial counter-fraud; economic crime forensics; and national security. These individuals have a wealth of experience drawn from their wider employment including within: the banking sector; the Ministry of Defence; the commercial sector; and law enforcement.

## Diversity and Equality

The NCA values diversity and, in line with the NCA values and officer code, treats everyone with dignity and respect, providing a positive working environment where discrimination, harassment and victimisation are not tolerated.

I have overall responsibility for the Equality Framework which sets out the NCA commitment and objectives in place to ensure we build the inclusive, representative workforce that we need to deliver against our operational priorities. It also provides existing, and prospective, NCA officers with a clear guide of what they can expect and what is expected of them.

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33 In broad terms: Grade 6 is a support/trainee officer level; Grade 5 is a fully qualified officer level; Grades 4 and 3 are middle management; and Grades 2 and 1 are senior management.

34 The trainees enter the NCA at Grade 6 and, upon successful completion of a training and assessment process, attain Grade 5. It is anticipated that the training process will be two years.

35 Lesbian, Gay, Bisexual or Transgender.

The NCA Strategic Equality Forum provides a strategic overview of all equality and diversity objectives, activities and initiatives undertaken by the NCA. NCA Directors have a responsibility actively to promote equality and diversity within their commands and by creating a culture that strives for excellent practice in the management of their officers. Despite these mechanisms there is room for improvement in the diversity of our workforce and our leadership; this is an area which is receiving ongoing focus from the Board.

## **NCA Diversity Groups**

These groups provide the NCA officers with the opportunity to meet, share ideas and raise concerns about issues that affect them. The groups consider aspects of working life and are consulted on proposed changes to relevant policy. The groups also provide important input to the NCA operational activities.

A Director champions each group, which are:

- Disability network and advisory group (DNAG);
- Ethnic minority network support association (EMNSA) (includes religion and belief);
- Gender group (includes transgender);
- Sexual orientation network and resource group (SONAR);
- Flexible working group (FWG);
- Age group (includes all age groups); and
- Diversity representatives' group.

## **Policies and operating procedures**

The NCA has policies and operating procedures, with Director-level holders, in place to ensure that NCA officers operate within the legislative framework in the Crime and Courts Act 2013. These include a comprehensive suite of employment policies and operating procedures which ensure that standards of behaviour and performance are clearly outlined, such as the NCA Code and its FIRST (flexibility, integrity, respect for others, serving the public, transparency) values. Well-established capability and conduct procedures provide processes for dealing with concerns or breaches in standards of either performance or conduct.

The NCA is committed to developing a co-operative and purposeful environment of constructive employee relations. It is a fundamental principle that effective employee relations are essential to meet our common goal of leading the UK's fight to cut serious and organised crime. These aims can only be met through: best leadership practice; trade union representation; and commitment to effective and constructive consultation and negotiation by both management and unions.

The three recognised trade unions within the NCA are the National Crime Officers' Association (NCOA), Public and Commercial Services Union (PCS) and the FDA.

## **Engagement**

The NCA is going through a multi-year programme of significant change, which has included a voluntary exit scheme, new ways of working, new geographic structures, and new expectations of its employees. During this change we conducted a People Survey which unsurprisingly showed some discomfort with the scale of change. Whilst the response rate for the People Survey 2014 was 58%, an increase of 15% on the previous year, the engagement results in the NCA dropped to 49%, a reduction of 8% on the previous year.

Headline results are summarised as follows:

- There was a strong sense of purpose and teamwork;
- Recognition that the NCA is an inclusive employer;
- It was clear that officers would like to see improved communication, both in terms of key messages and direction coming down from the Board and senior management, and opportunities for feedback to go back up to senior management. This is particularly the case given the significant change that is going on across the agency, including Novo and recent restructuring;
- Improvements were needed in the visibility of leadership and consistency of management;
- Dissatisfaction with pay and benefits; and
- Overall, reported wellbeing has dropped significantly.

The Board were very clear that these results were disappointing and that they would take responsibility for action based on the results from the survey. All commands have been engaged in discussions around the survey findings in order to establish the facts behind the headline results and develop action plans in response.

As serious and organised crime threats continue to evolve so must the NCA, and Novo is already starting to deliver transformation of our capability. However, what is clear from the People Survey results is that officers would like a greater focus on communication and visible leadership as we go through significant change, both in our ways of working, and as we restructure.

Feedback from the People Survey and our officers indicates that our leaders, managers and officers need more support in performance management. As a result the Board has decided to introduce a new approach to performance management from April 2015, including an updated policy, underpinned by a focus on training for managers and clear communication on the importance of performance management. The revised performance culture also supports the NCA Behaviours Framework, the Professional Career Pathways and emphasise the leadership behaviours in effective objective setting and management of officer performance.

## **Pay/NCARRB**

As a law enforcement agency that operates on a 24/7 basis it is vital that the NCA remains operationally effective at all times. The Crime and Courts Act 2013 places restrictions on the right to strike of NCA officers who are designated with operational powers. The NCA Remuneration Review Body (NCARRB) has been established as the independent mechanism to review and advise the Government on the pay and allowances of NCA officers designated with operational powers. In February 2015, I provided evidence to the NCARRB, along with the NCA's Director of Corporate Services. The recommendations from the Remuneration Review Body also inform pay proposals for officers without powers, supporting our culture of one workforce.

The NCA is also reviewing its full reward strategy to reflect the changing skills requirements, particularly in technical and digital skills moving forward.

## **Voluntary Exit Scheme**

Between July and September 2014, 262 NCA officers left the agency under a Voluntary Exit Scheme (VES), which had been approved by the Cabinet Office and the costs accrued in financial year 2013–14. The scheme was re-opened in September 2014, and a further 173 officers left under VES terms by 31 March 2015. The scheme was targeted at senior grades to reshape the NCA to create greater management spans of command, reduce hierarchy and enabled the agency to increase resources in the investigative and intelligence trainee officer programme.

## Information Management

The NCA's approach to managing information in 2014–15 focused on the following key elements:

- Implementation of the ICT Modernisation programme;
- Training all officers in the application of the revised Government Security Classification scheme;
- Response to the cyber threat;
- Strengthening defences against the threat of hostile 'insider' activity;
- The continual improvement of the NCA's Corporate Record, both for physical and electronic records;
- Aiming for excellence in information management as measured by the One3M maturity model, newly developed by the Home Office, which brings together for single assessment both information assurance (including cyber security) and information management; and
- Assessing the future capabilities needed to fulfil our ambition to be a world-class centre of excellence in the fight against serious and organised crime.

Following commencement of the roll out of the inherited ICT Modernisation programme in February 2015, a number of information handling benefits were immediately evident (e.g. in the new disciplines applied to the production, processing and storage of material) and greater assurance capabilities are anticipated from the protective monitoring component. Further benefits following completion of the rollout are expected during 2015–16. The Modernisation programme also supports the new security classification policy replacing six categories with three, and on which officers have been trained through a bespoke e-learning course supported by a comprehensive handbook.

The agency has demonstrated an effective response to each of the Cabinet Office's initiatives on the cyber threat, including: application of the recommended '10 Steps to Cyber Security'; Board awareness training; testing the incident management plan; and actions against individual malware threats. The NCA's capabilities in this area are enhanced by the presence of the National Cyber Crime Unit which, together with the NCA Intelligence Hub, provides a current overview of the threat from cyber crime.

We undertook a comprehensive assessment of our vulnerability to hostile 'insider' activity. Some potential weaknesses were found and these were reported to the NCA Board and remedial action was taken.

The NCA Board also approved a major programme of work to improve our corporate record. This entails collating the data held in numerous legacy repositories into a much smaller number of more readily searchable ones, and training officers in the application of modern information management principles. The work extends to paper records. The objectives are to enhance the management of information risk in all its dimensions and to ensure that we are able to exploit our assets to the full. These developments contributed to the agency gaining a good rating against the requirement (Level 4) of the One3M that information management is embedded in business processes.

The main challenges ahead include replacing key legacy systems whose resilience is increasingly difficult to sustain, and using available resources to take advantage of new, smart technology to enhance our capabilities to cut serious and organised crime. The appointment of a Chief Information Officer as advisor to the Board towards the end of the year is central to our strategy in meeting those challenges.

## Programme and Project Management

The NCA's Programme Management Department (PMD) provided a single point of entry for all change activity, ensuring that all competing proposals were properly and consistently assessed, prioritised and managed. The PMD ensured that change was delivered and communicated in an optimal way, aligned with best practice and reduced bureaucracy.

In line with the Major Projects Authority (MPA) standard, the NCA uses a blend of PRINCE2 and the Managing Successful Programmes (MSP) standard to manage all projects and programmes.

All major projects were subject to the MPA's assurance process which is a mandatory element of the assurance regime for emerging major projects. All capital and centrally funded resource activity was preceded by approval and authorisation of an appropriate business case. All capital projects and programmes were directed, by the Senior Responsible Officer (SRO), in a manner commensurate with the type and complexity of the investment activity.

Every SRO was required to deliver mandated project and programme governance arrangements at project start-up, delivery and closure and to manage risks and issues to benefit delivery. Monthly reports to the formal governance bodies, including the relevant programme boards or the NCA Board, encompassed progress against relevant gateway recommendations. These formal governance bodies monitored and managed data on both delivery of benefits and expenditure incurred and forecast within the annual approved / authorised envelope.

The NCA's key change programmes have embedded specialist resources leading planning, delivery and benefits realisation. Benefits realisation monitoring was managed by programme and project management specialists.

All of our major programmes and projects were managed through regular assurance and stakeholder engagement.

Our investment process ensures that business cases are considered by the appropriate governance boards and, if supported, are approved for spend at the appropriate level either internally or externally. The business case template has been reviewed to ensure the inclusion of relevant and concise information. Around 30 officers have received business case writing training during the reporting period. The investment process is currently being reviewed to ensure it remains as agile as possible whilst retaining good governance.

As previously referenced, from October 2013, the NCA began a process of transformation, which became the Novo programme, a three to five year change programme to give the agency the capabilities, shape, culture, operating model and approach that, despite challenging budget settlements, further improves the NCA's delivery. Every change made has been and will be driven by the operational need and imperative to deliver at greater pace and improve impact on the strategic priorities set by the Home Secretary.

The Novo programme, which formally started on 1 April 2014, comprises three sub-programmes, each with a SRO, reporting to the Novo Board chaired by the Director of Change and Finance, and ultimately to the DDG-run overarching Change Board.

## **Operational Delivery**

Throughout the year, all operational activity undertaken by the NCA was subject to appropriate operational, health and safety and security risk assessments. Liaison with and involvement of Operational Security Advisors (OPSYs) continued throughout the year as required. A recent upsurge in activity against the threat of child sexual exploitation and abuse resulted in a revision of the risk assessments in place, notably in relation to officers' wellbeing and operational risk. This also led to a greater focus of resources to lead, support and coordinate the national law enforcement response to child sexual exploitation and abuse.

In December 2013 an additional £10 million funding was allocated by Government to the NCA in order to deliver enhanced operational capability against child sexual exploitation and abuse (CSEA) whilst also augmenting capability in other areas within the agency. Project OPUS has been developed under the CEOP Command to oversee the building of this capability. A project board has been established and is meeting regularly to review progress; the Home Office sits on the board. This project will deliver an additional

150–170 posts across two locations and aims to increase our response to the CSEA threat through bringing more offenders to justice and safeguarding and protecting more children and young people.

The increased national focus on CSEA is also reflected in the number of inquiries taking place into past abuse CSEA cases, in which the NCA is also fully engaged.

We maintained a robust operational review and assurance regime throughout the year, which has been augmented by the introduction of Command Tasking processes and protocols which ensure greater oversight of trends, issues and risks at Deputy Director level. The Quarterly Assurance Review (QAR) process is embedded as business as usual for NCA led operational activity. NCA representatives also attended Regional Organised Crime Unit (ROCU) tasking meetings. Revised assurance processes developed under the Novo programme have seen an increase in local operational review of non-high priority activity at Branch Commander level, with monthly reviews of all high priority activity at Head of Investigations (Grade 1) level.

Four amendments were made to the Computer Misuse Act 1990, through the Serious Crime Act 2015, that came into force in May 2015. These amendments include extending law enforcement's reach to target non resident UK nationals committing cyber offences against the UK, and increasing the length of sentence that individuals can receive for committing serious cyber offences. It is anticipated that these measures will further enhance the NCA's capability to pursue, disrupt and bring to justice those involved in cyber crime.

In relation to the National Cyber Security Programme (NCSP), the NCA receives funding via both the Home Office and Foreign and Commonwealth Office to develop UK and where applicable, overseas capability. The NCA reports progress on these projects via the NCSP Governance programme. To assist with this the NCA has established an internal governance process, including regular Investment Boards to assess project bids for NCSP funds; these bids are subsequently scrutinised by Novo Transformation, and lastly by Science and Technology Department. The NCA also co-chairs the National Cyber Capabilities Programme Oversight Board, which provides additional governance on certain NCSP projects.

The NCA has also provided advice and specialist services to National Policing through the Specialist Operations Centre (SOC) and national SIO advisors and their teams. We have also provided tactical advice via the UKHTC on trafficking operations. This has helped to embed a consistent standard and provides assurance around such national activity.

The Intelligence and Operations Directorate has responsibility for some cross-agency functions, notably the Investigation and Intelligence Development Officer (IDO) network which is responsible for ensuring new trainees are operationally competent to the College of Policing's accreditation standards in either the investigation or intelligence arenas. Work has now begun to embed the Professionalising Investigation Practice (PIP) standards within the NCA and manage the accreditation process for existing experienced officers, which will become a key governance arrangement in future years. Accreditation of current experienced officers has now begun and is expected to be completed later in 2015.

The Proceeds of Crime Centre (PoCC) in the NCA has a statutory responsibility under the Proceeds of Crime Act 2002 as amended by the Crime and Courts Act 2013 for the training, accreditation and monitoring of financial investigators within the UK including NCA Financial Investigators. As such all NCA Financial Investigators are subject to continual assessment through the Continuing Professional Development regime, as part of the accreditation and monitoring of their POCA powers.

The NCA, through its UK Financial Intelligence Unit, manages the Suspicious Activity Reporting (SARs) regime that is at the heart of the UK response to money laundering. More than 360,000 reports were submitted during the year from across the regulated sector, which includes banking, financial services, the legal and accountancy professions amongst others. The NCA leads the SARs Regime Committee which brings together representatives of the reporting sectors and the supervisory authorities to improve

the effectiveness of the SARs regime and ensure that identified issues are escalated to Home Office and Treasury as the lead policy departments. The suspicious activity reports database is now reaching the end of its life, and the NCA is working with partners to find a replacement system.

We were also engaged in consultations relating to new legislation, for example, the Modern Slavery Bill and the Serious Crime Bill. The Criminal Justice and Courts Act 2015; the Serious Crime Act 2015 and the Modern Slavery Act received Royal Assent, during the year.

Provisions within the Serious Crime Act amend the Proceeds of Crime Act 2002, strengthen asset recovery processes; amend the Computer Misuse Act (CMA) 1990 to ensure sentences for attacks on computer systems fully reflect the damage they cause and create new offences such as participating in the activities of an Organised Crime Group and making it illegal to possess 'paedophile manuals'. There are also new powers in relation to seizing, detaining and destroying chemical substances suspected of being used as cutting agents for illegal drugs.

The Modern Slavery Act provides the NCA with stronger tools to tackle modern slavery. NCA Officers are able to exercise specified powers when investigating modern slavery offences being committed at sea, similar to those relating to drug traffickers.

These amendments and new offences further strengthen the NCA's range of investigatory options. We are now ensuring that our processes and procedures are updated to take these new legislation requirements into account.

This year, we contributed to a Home Office led consultation on the future of the National Referral Mechanism (NRM); this is the framework for identifying victims of human trafficking. The findings of the review were published in a report in November. The NCA welcomed the recommendations which make a number of positive proposals to improve the provision of the NRM, particularly for victims of human trafficking.

## **Armed Operations Unit**

In October 2014, the Armed Operations Unit (AOU), which provides the NCA's covert firearms response, achieved College of Policing re-accreditation and a renewed licence to carry out armed operations. The licence was granted with no developmental conditions attached.

Internal governance arrangements and Post Incident Management (PIM) procedures were tested following an operational incident in north London in May 2014, where one of our firearms officers discharged his weapon following a direct threat and shots being fired by an armed suspect.

## **OVERALL ASSESSMENT**

As DG of the NCA I have reviewed the information on governance, internal control and risk management and am satisfied with the reasonable assurance of effectiveness regarding the internal control systems in place.

### **Keith Bristow QPM**

Director General and Accounting Officer, National Crime Agency

23 June 2015

# 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 National Crime Agency (NCA) for the year ended 31 March 2015 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## Respective responsibilities of the Accounting Officer and auditor

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

## Scope of the audit of the financial statements

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

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

## **Opinion on regularity**

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2015 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2015 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

## **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Strategic report, the Directors report and the Governance statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which I report by exception**

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

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

## **Report**

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**

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

2 July 2015

# Statement of Parliamentary Supply

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FRM) requires the NCA to prepare a Statement of Parliamentary Supply (SoPS) and supporting notes to show resource outturn against the Supply Estimate presented to Parliament, in respect of each budgetary control limit.

## Summary of Resource and Capital Outturn 2014–15

£'000	Note	Estimate		Outturn		2014–15 Voted outturn compared with Estimate: saving / (excess)	2013–14 Outturn Total
		Voted	Non-Voted	Total	Voted		
<b>Departmental Expenditure Limit</b>							
- Resource	SoPS 2.1	420,900	- 420,900	414,017	- 414,017	6,883	427,983
- Capital	SoPS 2.2	38,160	- 38,160	35,875	- 35,875	2,285	34,288
<b>Annually Managed Expenditure</b>							
- Resource	SoPS 2.1	192,000	- 192,000	49,220	- 49,220	142,780	95,497
- Capital	SoPS 2.2	-	-	-	-	-	-
<b>Total Budget</b>		<b>651,060</b>	<b>0 651,060</b>	<b>499,112</b>	<b>0 499,112</b>	<b>151,948</b>	<b>557,768</b>
<b>Non-Budget</b>							
- Resource	SoPS 3	-	-	-	-	-	-
<b>Total</b>		<b>651,060</b>	<b>0 651,060</b>	<b>499,112</b>	<b>0 499,112</b>	<b>151,948</b>	<b>557,768</b>
- Resource		612,900	- 612,900	463,237	- 463,237	149,663	523,480
- Capital		38,160	- 38,160	35,875	- 35,875	2,285	34,288
<b>Total</b>		<b>651,060</b>	<b>0 651,060</b>	<b>499,112</b>	<b>0 499,112</b>	<b>151,948</b>	<b>557,768</b>

## Net Cash Requirement 2014–15

	Note	2014–15 £'000 Estimate	Outturn	2014–15 Outturn compared with Estimate: saving / (excess)	2013–14 £'000 Outturn
Net Cash Requirement	SoPS 4	463,950	434,452	29,498	432,121

## Administration Costs 2014–15

Note	2014–15 £'000 Estimate	2014–15 £'000 Outturn	2013–14 £'000 Outturn
SoPS 3.2	32,900	27,958	26,718

Figures in the areas outlined in bold are voted totals subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Explanations to variances between Estimates and outturn are given in the Directors' Report.

The notes SoPS 1 to SoPS 4 form part of these accounts.

# Notes to the Departmental Resource Accounts (Statement of Parliamentary Supply)

## SOPS 1. Statement of accounting policies

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2014–15 Government Financial Reporting Manual (FReM) issued by HM Treasury. The Statement of Parliamentary Supply accounting policies contained in the FReM are consistent with the requirements set out in the 2014–15 Consolidating Budgeting Guidance and Supply Estimates Guidance Manual.

### SOPS 1.1 Accounting convention

The Statement of Parliamentary Supply and related notes are presented consistently with HM Treasury budget control and Supply Estimates. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally-agreed framework 'European System of Accounts' (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system and the consequential presentation of Supply Estimates and the Statement of Parliamentary Supply and related notes, have different objectives from IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The Government's objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

- ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider Government policy; and
- support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

### SOPS 1.2 Comparison with IFRS-based accounts

Many transactions are treated in the same way in National Accounts and IFRS-based accounts, but there are a number of differences as detailed below. A reconciliation of the agency's outturn as recorded in the SoPS compared to the IFRS-based SoCNE is provided in SoPS note 3.2.

#### SOPS 1.aa Capital Grants

Grant expenditure used for capital purposes is treated as a capital (CDEL) item in the Statement of Parliamentary Supply. Under IFRS, as applied by the FReM, there is no distinction between capital grants and other grants, and they score as an item of expenditure in the Statement of Comprehensive Net Expenditure.

#### SOPS 1.ab Receipts in excess of HM Treasury agreement

This applies where HM Treasury has agreed a limit to income retainable by the agency, with any excess income scoring outside of budgets, and consequently outside of the Statement of Parliamentary Supply. IFRS-based accounts will record all of the income, regardless of the budgetary limit. This situation may arise in the following areas: (i) profit on disposal of assets; (ii) income generation above department Spending Review settlements; and (iii) income received above netting-off agreements.

## **SOPS 1.ac Provisions – Administration and Programme expenditure**

Provisions recognised in IFRS-based accounts are not recognised as expenditure for national accounts purposes until the actual payment of cash (or accrual liability) is recognised. To meet requirements of both resource accounting and national accounts, additional data entries are made in the Statement of Parliamentary supply across AME and DEL control totals, which do not affect the Statement of Comprehensive Net Expenditure. As the Administration control total is a sub-category of DEL, Administration and Programme expenditure reported in the Statement of Parliamentary Supply was different from that reported in the IFRS-based accounts.

## SOPS2. Net outturn

### SOPS2.1 Analysis of net resource outturn by Section.

										2014-15 £'000	2013-14 £'000
Outturn							Estimate			Outturn	
Administration			Programme			Total	Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total	
Gross	Income	Net	Gross	Income	Net						
<b>Spending in Departmental Expenditure limit</b>											
Voted:											
A – Programme & administration expenditure											
28,341	(383)	27,958	427,805	(41,746)	386,059	414,017	420,900	6,883	6,883	427,983	
<b>Annually Managed Expenditure</b>											
Voted:											
B – AME charges											
-	-	-	49,220	-	49,220	49,220	192,000	142,780	142,780	95,497	
<b>28,341</b>	<b>(383)</b>	<b>27,958</b>	<b>477,025</b>	<b>(41,746)</b>	<b>435,279</b>	<b>463,237</b>	<b>612,900</b>	<b>149,663</b>	<b>149,663</b>	<b>523,480</b>	

### SOPS2.2 Analysis of net capital outturn by section

										2014-15 £'000	2013-14 £'000
Outturn					Estimate			Outturn			
Gross	Income	Net	Net Total	Net Total compared with Estimate	Net Total compared to Estimate adjusted for virements	Total					
<b>Spending in Departmental Expenditure limit</b>											
Voted:											
A – Programme & administration expenditure											
40,391	(4,516)	35,875	38,160	2,285	2,285	34,288					
<b>Annually Managed Expenditure</b>											
Voted:											
B – AME charges											
-	-	-	-	-	-	-					
C – Police pension											
-	-	-	-	-	-	-					
<b>40,391</b>	<b>(4,516)</b>	<b>35,875</b>	<b>38,160</b>	<b>2,285</b>	<b>2,285</b>	<b>34,288</b>					

## SOPS 3. Reconciliation of outturn to net operating cost and against administration budget

### SOPS 3.1 Reconciliation of net resource outturn to net operating cost

			2014-15	2013-14
			£'000	£'000
		Note	Outturn	Outturn
Total resource outturn in Statement of Parliamentary Supply	Budget	SoPS 2	463,237	523,480
	Non-Budget	SoPS 2	-	-
			<b>463,237</b>	<b>523,480</b>
Add:	Capital grants		-	-
	Other		-	-
			<b>463,237</b>	<b>523,480</b>
Less:	Income payable to the Consolidated Fund		-	-
	Other		(28,554)	(89,056)
			<b>434,683</b>	<b>434,424</b>
<b>Net Operating Costs in Statement of Comprehensive Net Expenditure</b>			<b>434,683</b>	

### SOPS 3.2 Outturn against final Administration Budget and Administration net operating cost

			2014-15	2013-14
			£'000	£'000
		Note		
Estimate – Administration Costs limit			32,900	30,396
Outturn – Gross Administration Costs		SoPS2	28,341	26,853
Outturn – Gross Income relating to administration costs		SoPS2	(383)	(135)
Outturn – Net administration costs			27,958	26,718
Reconciliation to operating costs:				
Less: provisions utilised (transfer from Programme)			-	-
Less: Other			-	-
<b>Administration Net Operating Costs</b>			<b>27,958</b>	<b>26,718</b>

## SOPS 4. Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	Estimate £'000	Outturn £'000	Net total outturn compared with Estimate: savings / (excess) £'000
Resource Outturn	SoPS 2.1	612,900	463,237	149,663
Capital Outturn	SoPS 2.2	38,160	35,875	2,285
Accruals to cash adjustments:				
Adjustments to remove non-cash items:				
Depreciation		(37,000)	(38,172)	1,172
New provisions and adjustments to previous provisions		(195,000)	(70,670)	(124,330)
Departmental Unallocated Provision		-	-	-
Supported capital expenditure (revenue)		-	-	-
Prior Period Adjustments		-	-	-
Other non-cash items		(210)	5,704	(5,914)
Adjustments for NDPBs:				
Remove voted resource and capital		-	-	-
Add cash grant-in-aid		-	-	-
Adjustments to reflect movements in working balances:				
Increase / (decrease) in inventories		-	-	-
Increase / (decrease) in receivables		22,100	13,844	8,256
(Increase) / decrease in payables		20,000	1,660	18,340
Use of provisions		3,000	22,974	(19,974)
		<b>463,950</b>	<b>434,452</b>	<b>29,498</b>
Removal of non-voted budget items:				
Consolidated Fund Standing Services		-	-	-
Other adjustments		-	-	-
<b>Net cash requirement</b>		<b>463,950</b>	<b>434,452</b>	<b>29,498</b>

# Statement of Comprehensive Net Expenditure

For the year ended 31 March 2015

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

	2014-15	2013-14
Note	£'000	£'000
<b>Administration costs</b>		
Officer costs	3 17,507	19,810
Other costs	4 10,834	7,043
Income	6 (383)	(135)
	<b>27,958</b>	<b>26,718</b>
<b>Programme costs</b>		
Officer costs	3 265,364	255,919
Other costs	5 188,680	194,210
Income	6 (47,418)	(42,543)
<b>Net operating costs</b>	<b>406,626</b>	<b>407,586</b>
<b>Total expenditure</b>	<b>482,385</b>	<b>476,982</b>
<b>Total income</b>	<b>(47,801)</b>	<b>(42,678)</b>
<b>Net operating costs before tax</b>	<b>434,584</b>	<b>434,304</b>
Tax	3	1
<b>Net operating costs after tax</b>	<b>434,587</b>	<b>434,305</b>
(Surplus) / loss on disposal of non-current assets	96	119
<b>Net operating costs for the financial year</b>	<b>434,683</b>	<b>434,424</b>
<b>Other Comprehensive Expenditure</b>		
Note	2014-15 £'000	2013-14 £'000
Net (gain) / loss on revaluation of Property, Plant and Equipment	(6,036)	(2,531)
Actuarial (gain) / loss on pension reserve	3e 30,526	86,784
<b>Total Comprehensive Net Expenditure for the year ended 31 March</b>	<b>459,173</b>	<b>518,677</b>

The notes on pages 106 to 134 form part of these accounts.

# Statement of Financial Position

As at 31 March 2015

This statement presents the financial position of the NCA. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

	Note	2014-15 £'000	2013-14 £'000
<b>Non-current assets</b>			
Property, plant and equipment	7	128,909	125,493
Intangible non-current assets	8	32,689	28,494
<b>Total non-current assets</b>		<b>161,598</b>	<b>153,987</b>
<b>Other non-current assets</b>			
Receivables falling due after one year	12b	9	10
<b>Total non-current assets</b>		<b>161,607</b>	<b>153,997</b>
<b>Current assets</b>			
Trade and other receivables	12a	46,878	33,033
Cash and cash equivalents	11	11,132	73,414
<b>Total current assets</b>		<b>58,010</b>	<b>106,447</b>
<b>Total assets</b>		<b>219,617</b>	<b>260,444</b>
<b>Current liabilities</b>			
Trade and other payables	13a	(84,424)	(148,223)
Provisions falling due within 1 year	14	(3,409)	(1,636)
<b>Total Current liabilities</b>		<b>(87,833)</b>	<b>(149,859)</b>
<b>Non-current assets plus net current assets</b>		<b>131,784</b>	<b>110,585</b>
<b>Non-current liabilities</b>			
IAS 19 Pension Liability	3e	(674,980)	(628,562)
Provisions	14	(7,681)	(8,176)
Other payables	13b	(2,465)	(2,608)
<b>Total non-current liabilities</b>		<b>(685,126)</b>	<b>(639,346)</b>
<b>Assets less liabilities</b>		<b>(553,342)</b>	<b>(528,761)</b>
<b>Taxpayers equity</b>			
General Fund		(43,579)	(47,971)
Pension Reserve		(516,200)	(485,674)
Revaluation Reserve		6,437	4,884
		<b>(553,342)</b>	<b>(528,761)</b>

The notes on pages 106 to 134 form part of the accounts.

**Keith Bristow QPM**

Director General and Accounting Officer, National Crime Agency

23 June 2015

# Statement of Cash Flows

For the year to 31 March 2015

The Statement of Cash Flows shows the changes in cash and cash equivalents of the NCA during the reporting period. The statement shows how the NCA generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the NCA. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the NCA's future public service delivery. Cash flows arising from financing activities include Parliamentary Supply and other cash flows, including borrowing.

	Notes	2014-15 £'000	2013-14 £'000
<b>Cash flows from operating activities</b>			
Net operating cost for financial year		(434,683)	(434,424)
Adjustments for non-cash transactions	4, 5	38,312	33,266
Loss / (gain) on asset revaluation		194	399
(Surplus) / Loss on disposal of non-current assets		96	119
MOG – CFI Non-Cash Adj		-	1,464
Pension costs		34,752	29,475
Employee contribution		2,420	2,370
(Increase) / Decrease in receivables		(13,844)	(10,804)
<i>less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>		-	-
Increase/(Decrease) in trade and other payables		(63,942)	68,314
<i>less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>		62,282	(63,809)
Increase / (Decrease) for use of provisions	14	1,278	(1,515)
<b>Net cash outflow from operating activities</b>		<b>(373,135)</b>	<b>(375,145)</b>
Police Pension Payment made		(21,280)	(21,870)
Cash Transfers in from other police pension schemes		-	-
<b>Net cash outflow from police pension payments</b>		<b>(21,280)</b>	<b>(21,870)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	(23,844)	(27,348)
Purchase of intangible assets	8	(16,547)	(13,598)
Proceeds of disposal of property, plant and equipment		354	270
Loans from other bodies		-	198,700
(Repayment) of loans to other bodies		-	(198,700)
<b>Net cash outflow from investing activities</b>		<b>(40,037)</b>	<b>(40,676)</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund		372,170	495,930
Actual Police Pension financing received		-	5,570
<b>Net financing</b>		<b>372,170</b>	<b>501,500</b>
<b>Net increase / (decrease) in cash and cash equivalents in the period</b>		<b>(62,282)</b>	<b>63,809</b>
Cash and cash equivalents at the beginning of the period		73,414	9,605
<b>Cash and cash equivalents at the end of the period</b>		<b>11,132</b>	<b>73,414</b>

The notes on pages 106 to 134 form part of these accounts.

# Statement of Changes to Taxpayers' Equity

For the year to 31 March 2015

This statement shows the movement in the year on the different reserves held by the NCA, analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). Financing and the balance from the provision of services are recorded here. The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure. Other earmarked reserves are shown separately where there are statutory restrictions of their use.

	Notes	General Fund £'000	Pension Reserve £'000	Revaluation Reserve £'000	Total Reserves £'000
<b>Balance at 31 March 2013</b>		<b>(48,126)</b>	<b>(398,890)</b>	<b>3,463</b>	<b>(443,553)</b>
Net gain on revaluation of property, plant & equipment		-	-	2,531	2,531
Actuarial gain / (loss) on pension reserve		-	(86,784)	-	(86,784)
MoG – CFI Adj*		1,260	-	(32)	1,228
Comprehensive net expenditure for 2013–14		(434,424)	-	-	(434,424)
Non-cash charges – Auditor's Remuneration	4, 5	120	-	-	120
Transfer between reserves		1,078	-	(1,078)	-
Supply Payable		(73,414)	-	-	(73,414)
Net parliamentary funding – Deemed		9,605	-	-	9,605
Net parliamentary funding – drawn down		495,930	-	-	495,930
<b>Balance at 31 March 2014</b>		<b>(47,971)</b>	<b>(485,674)</b>	<b>4,884</b>	<b>(528,761)</b>
Net gain on revaluation of property, plant & equipment		-	-	6,036	6,036
Actuarial gain / (loss) on pension reserve		-	(30,526)	-	(30,526)
Comprehensive net expenditure for the year		(434,683)	-	-	(434,683)
Non-cash charges – Auditor's Remuneration	4, 5	140	-	-	140
Transfer between reserves		4,483	-	(4,483)	-
Supply Payable		(11,132)	-	-	(11,132)
Net parliamentary funding – Deemed		73,414	-	-	73,414
Net parliamentary funding – drawn down		372,170	-	-	372,170
<b>Balance at 31 March 2015</b>		<b>(43,579)</b>	<b>(516,200)</b>	<b>6,437</b>	<b>(553,342)</b>

The notes on pages 106 to 134 form part of the accounts.

## General Fund

The General Fund represents the total assets less liabilities which are not represented by other reserves and financing items.

## **Revaluation Reserve**

The Revaluation Reserve reflects the unrealised element of the cumulated balance of indexation and revaluation adjustments for property, plant and equipment.

## **Pensions Reserve**

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

# Notes to the Accounts for the year ended 31 March 2015

## 1. Statement of accounting policies

### Basis of preparation

These financial statements have been prepared in accordance with the 2014–15 *Government Financial Reporting Manual* (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the NCA for the purpose of giving a true and fair view has been selected. The particular policies adopted by the NCA are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

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

The NCA is a Non-Ministerial Department which is accountable to the Home Secretary for its performance. Accordingly, it has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

#### 1 a) Accounting Convention

The accounts have been prepared on an accruals basis under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

#### 1 b) Administration and Programme Expenditure

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

Administration costs reflect the cost of running the agency by covering the costs of all administration except for direct frontline service provision. Support activities that are directly associated with frontline service delivery, and other expenditure that does not fall within administration budgets are considered to be programme expenditure.

#### 1 c) Income Recognition

In accordance with IAS 20, where assets are financed by government grant from other departments, the funding element is recognised as income and taken through the Statement of Comprehensive Net Expenditure. The NCA met all conditions regarding the consumption of future economic benefits set by the funding providers so the funding was not deferred. Where income is expected but has not been received by the end of the year, the income is accrued and taken through the Statement of Comprehensive Net Expenditure.

## **1 d) Foreign Currency**

Transactions denominated in foreign currency are converted into sterling at the rate of exchange ruling on the date of each transaction, except where rates have not fluctuated significantly, then an average rate for the month is used.

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

## **1 e) Operating Leases**

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

The NCA do not hold any finance leases or PFI contracts.

## **1 f) Rental and Service Charges Income**

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

## **1 g) Pension Costs**

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

The cost of providing unfunded pension benefits for former police officers is charged to the Net Expenditure account over the qualifying service life of the officer. The qualifying service for these pension benefits includes prior service with a police force in addition to service with the NCA, although no funding is received from the officer's previous employer in relation to this past service. The annual charge to the Statement of Comprehensive Net Expenditure is calculated so that the Statement of Financial Position provision reflects the proportion of the future pension liability relevant to accumulated qualifying service at the Statement of Financial Position date. The Police Pension liability includes a provision for future injury awards. A payment to cover the net pension deficit is included in the NCA budget annually. The deficit is caused by expenditure on pensions exceeding contributions.

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

## **1 h) Value Added Tax**

Most of the activities of the agency are outside the scope of VAT and, in general, output tax does not apply and input tax is not recoverable. Input tax is recovered in accordance with services listed in HM Treasury's Contracting-Out of Services Direction, which is provided for in section 41(3) of the VAT Act 1994. 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 tax is recoverable, the amounts are stated net of VAT.

## **1 i) Donations Received**

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

## **1 j) Liquid Resources**

Liquid resources comprise cash balances held in bank accounts and as cash in hand. The NCA receives bank interest on its cumulative bank balance. Any bank interest received relating to seized third party assets is required to be paid to the Home Office.

## **1 k) Estimation techniques**

The preparation of financial statements requires management to make appropriate judgements and assumptions that affect the amounts reported for assets and liabilities for the year ending 31st March 2015, and for amounts reported for income and expenses during the relevant period.

### *Provisions*

A provision is recognised when the agency has a present legal or constructive obligation which has arisen as a result of a past event, when payment is probable and the amount can be estimated reliably. In determining the value to recognise as a provision in the accounts we use estimates provided by suitably qualified professionals.

## **1 l) Non-current Assets**

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

Capital assets, both tangible and intangible, are assets that cost or are valued at or above a capitalisation threshold of £5,000 which is set by the NCA Board and with an expected working life of more than one year. Individual assets which cost less than £5,000 but are required to be grouped together to form one capital asset with a total value greater than £25,000 are capitalised. Technical equipment assets, the individual components of which cost less than £5,000 but which are non consumable in nature, are also treated as capital assets. Non-consumable is defined as a multiple use item, of long duration (beyond one year), reconfigurable and could be a component part of an item that could be assembled.

Expenditure on the fit-out and works to buildings financed by operating leases is capitalised as a tangible non-current asset if the works add to the value of the building. Fit-out costs of all new buildings could include the costs of new furniture and equipment that individually cost less than £5,000, but collectively cost greater than £25,000, where it is more appropriate to capitalise the initial costs. Tangible non-current assets are carried at fair value for existing use.

The NCA proactively reviews the content of its Non-Current Asset Register (NCAR). Capital investment development programme business case reviews and approvals enabled the NCA to validate the existence, utilisation and value of assets recorded in the NCAR.

### 1 m) Depreciation and Amortisation

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

<b>Asset type</b>	<b>Useful life</b>
Land and buildings	Land is not depreciated. Buildings are depreciated to their estimated residual value over the remainder of the buildings' estimated economic lives. The range of leasehold buildings' lives at 31 March 2015 to 2036 was 1 to 21 years.
Improvements to leasehold buildings	The shorter of the duration of lease or anticipated useful life of improvements, subject to maximum period of 10 years.
Motor vehicles	3 – 9 years
Plant and equipment	5 years
Furniture and fittings	10 years
IT equipment and software	3 – 5 years
Intangible non-current assets – IT licences and software	5 years (or the duration of the licence)

Tangible assets are revalued annually and are reported at current cost.

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

### 1 n) Revaluation

The NCA has a policy of revaluing its non-current assets (excluding freehold properties) annually by applying government-approved indices per asset type.

Freehold properties are subject to two-yearly professional revaluations. In the intervening years they are revalued in March by applying Government-approved indices. A full professional valuation was carried out by Knight Frank Chartered Surveyors in March 2015 (previous revaluation was carried out in February 2013). Any gain on revaluation is credited to the Revaluation Reserve. A loss on revaluation is debited to the Statement of Comprehensive Net Expenditure to the extent that the loss exceeds the balance on the Revaluation Reserve for that asset.

The amount of revaluation which has been realised through depreciation or disposal of assets has been transferred from the Revaluation Reserve to the Income & Expenditure Reserve.

The carrying value of non-current assets is reviewed for impairment if events or changes in circumstances indicated the carrying value is not recoverable, and the assets are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually.

### **1 o) Provisions**

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

The Retirement provision was created to provide for expected future pension obligations arising from the HM Treasury approved exit scheme, which the NCA adopted in October 2010. The valuation, as advised by HM Treasury, includes a discount factor of 1.30% that is applied to future years' cash flows with effect from 31 March 2015 (1.80% from 31 March 2014).

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

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

The Onerous Lease provision is for offices vacated by 31 March 2015 for which there is a lease obligation beyond this date. The provision takes into account known future lease breaks and lease end dates.

### **1 p) Pensions Reserve**

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

### **1 q) Recovered Assets**

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

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

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

Section 280 subsection 3, of the Crime and Courts Act 2013 enables the Director General to meet the costs of an appointed Interim Receiver from sums received from civil recovery proceedings in a way which directly mirrors the provisions in criminal confiscation cases in Parts 2 and 4 of PoCA. The commencement date of the provision was 1 July 2005 and, thereafter, the costs of Interim Receivers and Trustees were

permitted to be offset against eventual case proceeds. Assets and cash held by the NCA on behalf of third parties in relation to these activities are not included in the NCA's accounts but are separately reported in note 18 to the accounts.

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

ARIS income is required to be spent within the year it was earned. ARIS income is accounted for under the accruals concept. This is in line with the treatment in 2013–14.

### **1 s) Contingent liabilities and Indemnities**

#### *Contingent liability*

A contingent liability is recognised in respect of leased premises that the NCA occupy and have no plans to vacate. The amount recognised relates to dilapidations costs which may be payable in the year the lease finishes.

#### *Indemnities*

An Indemnity is recognised where the likelihood of a transfer of economic benefits is remote, Indemnities are held within four categories – Firearms training, operational indemnities, indemnities held with banks and PF78 indemnities relating to solicitor's undertaken.

### **1 t) International Financial Reporting Standards (IFRS) and other accounting changes that have been issued but are not yet effective**

IFRS 13 – Fair Value Measurement was issued on 1 January 2013 and has been adopted by the EU. This will be effective from 2015–16. IFRS 13 has been prepared to provide consistent guidance on fair value measurement for all relevant balances and transactions covered by IFRS. Guidance has been provided in the FReM from 1 April 2015. Early adoption is not permitted.

## 2. Statement of Operating Costs by Operating Segment

	Projects	DDG and Professional Stds	Intelligence and Operations	Corporate Services	Corporate Affairs	CEOP	Economic Crime Command	Organised Crime Command	2014–15 Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Gross Expenditure</b>	65,419	8,178	193,490	86,818	83,399	7,273	21,718	16,189	<b>482,484</b>
<b>Income</b>	(28,607)	(0)	(463)	(472)	(15,311)	(1,863)	(800)	(285)	<b>(47,801)</b>
<b>Net Expenditure</b>	<b>36,812</b>	<b>8,178</b>	<b>193,027</b>	<b>86,346</b>	<b>68,088</b>	<b>5,410</b>	<b>20,918</b>	<b>15,904</b>	<b>434,683</b>

No segmental data is shown for assets or liabilities, as many of these costs, such as depreciation, are posted to a central cost centre within Corporate Affairs. Any analysis of assets and liabilities by cost centre would not provide any meaningful data and so has not been included in these accounts.

The 2013–14 comparatives are shown in the table below:

	Projects	DDG and Professional Stds	Operations	Intelligence	Corporate Services	Corporate Affairs	CEOP Command	Border Policing Command	Economic Crime Command	Organised Crime Command	2013–14* Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Gross Expenditure</b>	32,387	8,808	132,704	26,959	123,417	75,049	5,875	57,189	10,571	4,143	<b>477,102</b>
<b>Income</b>	(24,359)	(1)	(709)	50	(1,921)	(13,381)	(399)	(716)	(1,242)	-	<b>(42,678)</b>
<b>Net Expenditure</b>	<b>8,028</b>	<b>8,807</b>	<b>131,995</b>	<b>27,009</b>	<b>121,496</b>	<b>61,668</b>	<b>5,476</b>	<b>56,473</b>	<b>9,329</b>	<b>4,143</b>	<b>434,424</b>

\* 2013–14 table is provided for comparison. Note, however, that a number of segments merged during 2014–15 therefore individual segment comparison is not possible in all cases. Please see below for explanation.

### Description of segments

The segmental analysis is consistent with how financial performance is reported to the NCA Board.

The underlying factors in identifying the reportable segments are driven by the budget allocations, departmental priorities and financial risks. This provides the board with decision making information based upon sound financial reporting. It enables the determination of resource spend by entity, departmental priority and operational activity.

**Projects** – This includes both externally funded projects and internal funding for the NCA Transformation Programme, Novo.

**DDG and Professional Standards** – The role of Standards and Security is to enable the NCA and its officers to operate safely and securely at all times. Through a clearly defined professional standards and security posture and embedded culture, commensurate with the threat, operating environment and the agency’s risk appetite, it will safeguard the NCA from threats to its officers, operations, assets and reputation both in the UK and overseas. The role of the Legal team within DDG is to provide legal advice at both operational and policy level and litigation services. The Legal team also act as an interface for any legal queries arising, where the NCA is required to give a corporate response.

**Intelligence and Operations** – During the year, three segments were amalgamated into the Intelligence and Operations directorate. The commands previously reported under Investigations Command, Intelligence Command and Border Policing Command. The NCA Investigations provide a flexible, shared operational capability to the NCA. It has an investigative network based across the UK, with integral financial investigators and intelligence support. The NCA Intelligence hub provides a single picture of all threats from serious and organised crime. This information has been subjected to a defined evaluation and risk assessment process in order that it can be used to assist the NCA, and its partners, in making decisions, allowing it to have maximum impact to combat crime. Border Policing leads, coordinates and supports border and overseas partners and conducts operations to respond to the threats both overseas and at the UK border. The NCA work with international partners and coordinate UK law enforcement overseas to gather intelligence, conduct operational activity (through partner agreement) and enhance international delivery, including capacity building, training & joint European & International taskforce.

**Corporate Services** – Corporate Services provides an integrated approach providing the NCA with sound financial planning and management, a modern infrastructure, efficient logistical support, responsive HR systems and trained, motivated officers. It includes all the estates, IT and fleet costs which contribute to operational activity.

**Corporate Affairs** – Corporate Affairs manages and supports the governance functions and structures of the NCA on behalf of the NCA Board and Command Team. It has responsibility for developing and disseminating the NCA’s strategic positioning, in particular with government, key domestic and international partners.

**CEOP Command** – The CEOP Command is dedicated to eradicating the sexual exploitation and abuse of children and young people. As noted above, CEOP also benefits from services received from other areas, such as Intelligence and Operations and Corporate Services.

**Economic Crime Command** – The Economic Crime Command of the NCA is delivering a step change in understanding and infiltrating how crimes such as fraud, identity crime, counterfeit currency, intellectual property crime, bribery and corruption, manifest and is leading a coordinated multi-agency response that looks to undermine criminal intention as well as educate and empower those who are most susceptible to attack. As noted above, Economic Crime Command also benefits from services received from other areas, such as Intelligence and Operations and Corporate Services.

**Organised Crime Command** – The Organised Crime Command is responsible for the national overview of the threat from organised crime. It provides a unified operational response, based on a clear national picture of the threats, harms and risks posed by organised crime groups. As noted above, the Organised Crime Command also benefits from services received from other areas, such as Intelligence and Operations and Corporate Services.

### 3. Officer numbers and related cost

	Permanently Employed Staff 2014-15 £'000	Others <sup>†</sup> 2014-15 £'000	Total 2014-15 £'000	Total 2013-14 £'000
Wages and Salaries	173,565	15,539	189,104	185,731
Social Security Costs	14,313	-	14,313	14,562
Other Pension Costs	25,379	-	25,379	25,752
Indirect Employee Costs*	11,301	-	11,301	9,889
<b>Sub Total</b>	<b>224,558</b>	<b>15,539</b>	<b>240,097</b>	<b>235,934</b>
Less recoveries in respect of outward secondments	(981)	-	(981)	(997)
<b>Sub Total</b>	<b>223,577</b>	<b>15,539</b>	<b>239,116</b>	<b>234,937</b>
Exit package costs – see note 3f	9,003	-	9,003	11,317
<b>Sub Total</b>	<b>232,580</b>	<b>15,539</b>	<b>248,119</b>	<b>246,254</b>
Pension costs actuarial valuation	34,752	-	34,752	29,475
<b>Total Net Costs</b>	<b>267,332</b>	<b>15,539</b>	<b>282,871</b>	<b>275,729</b>
<b>Of which:</b>	<b>Charged to Administration budgets</b>	<b>Charged to Programme budgets</b>	<b>Total</b>	
	17,507	265,364	<b>282,871</b>	

\* Indirect Employee costs are made up of Training costs of £4.0m (2013-14: £3.4m), Recruitment costs £0.5m (2013-14: £1.0m), Compensation and Medical payments £1.0m (2013-14: £0.3m), subscriptions £0.1m (2013-14: £0.2m) and £5.7m (2013-14: £5m) costs related to officers based overseas.

† Other officers employed is analysed as shown in the table below:

Category of Officer	2014-15 Total	2013-14 Total
Agency officers	29	26
Contract staff numbers	43	19
Seconded staff numbers	114	90
<b>Total</b>	<b>186</b>	<b>135</b>

The £15.5m cost incurred in the year comprises £0.7m agency officers, £4.8m Contract officers, £2.4m Overseas officers and £7.6m Seconded officers (2013-14: £13.5m comprising, £0.8m agency officers, £3.5m Contract officers, £2.5m Overseas officers and £6.7m Seconded officers).

## Average number of persons employed

The average number of full-time equivalent officers employed during the period was as follows:

	<b>2014–15 Total</b>	<b>2013–14 Total</b>
Permanently Employed	4,103	3,904
Other	186	135
Officers engaged on capital projects	1	2
<b>Total Average number of officers</b>	<b>4,290</b>	<b>4,041</b>

In addition to the above directly employed officers, the NCA had an average of 63 attached from other organisations (2013–14: 67) who are excluded from the above figures as they do not form part of the NCA establishment. The NCA is not charged for the attached officers who are considered to be working for the benefit of their employers.

It is estimated that the cost of employing the officers attached to the NCA in 2014–15 would have been £3.3m (2013–14: £3.2m).

Costs totalling £0.04m (2013–14: £0.2m) were capitalised during the period for work carried out on capital projects.

## Pension benefits

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

The PCSPS is an unfunded multi-employer defined benefit scheme but the NCA is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation on the following address: [www.civilservicepensionscheme.org.uk/about-us/resource-accounts](http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts).

For 2014–15, employer contributions of £25.4m (2013–14: £25.8m) were payable to PCSPS at one of four rates in the range 16.7% to 24.3% of pensionable earnings (2013–14: 16.7% to 24.3%), based on salary bands. This included £1.3m of contributions paid to other agencies, for example the Home Office, in respect of officers seconded to the NCA (2013–14: £0.4m). The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2014–15 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

In addition, employer contributions of 0.8% (2013–14: 0.8%) of pensionable pay were payable to PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of employees. Contributions of £12.6k were payable for 2014–15 to PCSPS in respect of these benefits (2013–14: £9.4k).

### 3 b) Partnership and Stakeholder Schemes

Employees could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions for partnership pensions are payable to one or more of a panel of three appointed stakeholder pension providers. These contributions are age related and range from 3% to 12.5% of pensionable pay (2013–14: 3% to 15.5%). Employers also match employee contributions up to 3% of pensionable pay. During the year 2014–15, the NCA paid employers' contributions of £0.21m to stakeholder pension providers (2013–14: £0.17m).

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

The LGPS is a multi-employer defined benefit scheme and eligible employees participate in a fund managed by the London Pensions Fund Authority (LPFA). In order to comply with the Government Finance Reporting Manual, the NCA was required to provide in these accounts for the full value of the expected future pension liabilities to the officers.

Seven officers who transferred from SOCA to the NCA on 7 October 2013 had, to this date, contributed to the LGPS. These members then joined the PCSPS for future service at this time. The seven members were given the option to transfer their past service from the LGPS into the PCSPS. Five of the seven members elected to transfer their accrued benefits resulting in a shortfall of £371k, payable by the NCA to PCSPS during 2014–15, in order to ensure PCSPS were provided with the appropriate service credits.

During 2014–15 the remaining members of this scheme transferred out. The LPFA valuation of scheme assets as at 31 March 2015 is therefore nil (2013–14 scheme liability of £0.072m).

<b>The net scheme assets at 31 March 2015</b>	<b>2014–15</b>	<b>2013–14</b>
	<b>£'000</b>	<b>£'000</b>
Present value of Assets	0	783
Present value of Liabilities	0	(855)
Net pension asset / (liability)	0	(72)
Movement in Pension Reserve	(14)	56
<b>Surplus / (Loss) in Statement of Financial Position</b>	<b>(14)</b>	<b>(16)</b>

As no members were left in the scheme no assumptions were needed to be made.

No employers contributions were made for the year ending 31 March 2015 (2013–14: £0.017m).

### 3 d) Police Pension Scheme

The agency operated a defined benefit Police Pension Scheme for former police officers.

The Police Pension Fund was established under the Police Pension Fund Regulations 2007 (SI 2007/1932).

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

Pension benefits were paid from the NCA resources as they fell due. In the period ending 31 March 2015, £21.3m was paid to pensioners (2013–14: £21.9m).

Employees in the old pension scheme (pre-2006) make contributions of 14.25% to 15.05% of salary (according to salary threshold). Officers joining the scheme after this date pay 11.0% to 12.75% of salary. Both schemes have different accrual rates and retirement ages. Pensions paid in the period were charged against the Pension liability. The NCA incurred the cost of employer contributions at the rate of 24.2% of pensionable pay in the period totalling £4.1m (2013–14: £4.4m). The employee's contribution is set nationally by the Home Office and is subject to triennial revaluation by the Government Actuary's Department (GAD).

The NCA is required to provide in these accounts for the full value of the expected future pensions liabilities of officers. Since 2010–11 the Government Actuary's Department (GAD) has valued contingent injury awards, the previous approach valued injury awards as they came into payment. This change in

practice is due to the adoption of IAS 19. The NCA commissioned GAD to value the scheme liabilities as at 31 March 2015. Full provision for this liability at 31 March 2015 of £674.98m (2013–14: £628.49m) is reflected in the Statement of Financial Position and is based on the assumptions and information set out below.

<b>Pension liabilities</b>	<b>2014–15 £'000</b>	<b>2013–14 £'000</b>
Present value of liabilities – Police Officers	674,980	628,490
<b>Net pension liabilities</b>	<b>674,980</b>	<b>628,490</b>

The main assumptions used by the Government Actuary's Department were as follows:

	<b>2014–15 %</b>	<b>2013–14 %</b>
Inflation assumption	2.20	2.50
Rate of increase in salaries	4.20	4.50
Rate of increase in pensions	2.20	2.50
Rate of discounting scheme liabilities	3.55	4.35

### The net scheme assets at 31 March

<b>Remeasurements of net defined liability / (asset) for year</b>	<b>2014–15 £'000</b>	<b>2013–14 £'000</b>
<b>Direct Recruits Scheme</b>		
Experience gains / (losses)	18,610	(17,509)
Effect of changes in demographic and financial assumptions	(49,150)	(69,331)
<b>Remeasurements of net defined liability / (asset)</b>	<b>(30,540)</b>	<b>(86,840)</b>

The results of any actuarial valuation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty, the approximate effects on the actuarial liability as at 31 March 2015 of changes to the main actuarial assumptions are set out below.

<b>Change in Assumption</b>	<b>Approximate Effect on total liability</b>	
	<b>%</b>	<b>£'000</b>
<b>Rate of Return</b>		
i. Rate of discounting scheme liabilities: -0.5% a year	10.9	73,000
ii. Rate of increase in salaries: +0.5% a year	0.8	5,000
iii. Rate of increase in pensions / deferred revaluation: +0.5% a year	9.8	566,000
<b>Pensioner Mortality</b>		
iv. Life expectancy: Pensioners living (on average) one year longer	2.0	13,000
v. Early Retirement: member to retire 1 year earlier	-0.4	(3,000)

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

The change in the pension liabilities resulting from operating and finance costs have been charged to the Statement of Comprehensive Net Expenditure. This charge is reduced by the contributions receivable in the year from the active members.

The Remeasurements of net defined liability/(asset) calculated by GAD has been reflected in the Statement of Financial Position (Pension Reserve).

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

	2014-15 LGPS £'000	2014-15 Police Officers £'000	2014-15 Total £'000	2013-14 PO / LGPS Total £'000
<b>Operating cost:</b>				
Current service cost net of employee contributions	(62)	7,710	7,648	6,889
Transfers	-	-	-	-
Employer's contribution	-	-	-	(17)
<b>Finance cost:</b>				
Interest on pension liabilities	4	27,100	27,104	22,603
Expected return on employer assets	-	-	-	-
<b>Net Return</b>	<b>(58)</b>	<b>34,810</b>	<b>34,752</b>	<b>29,475</b>
<b>Actuarial gain/(loss)</b>				
Experience gain / (loss) on pension liabilities	14	18,610	18,624	(17,467)
Actuarial return on scheme assets	-	-	-	14
Changes in demographic & financial assumptions	-	(49,150)	(49,150)	(69,331)
<b>Total Actuarial Gain/(Loss) charged to Pension Reserve</b>	<b>14</b>	<b>(30,540)</b>	<b>(30,526)</b>	<b>(86,784)</b>
<b>Movement in Pension Liabilities during the year</b>				
	2014-15 LGPS £'000	2014-15 Police Officers £'000	2014-15 Total £'000	2013-14 PO / LGPS Total £'000
Net liabilities at start of year	72	628,490	628,562	531,806
Current and past service cost	(62)	10,130	10,068	9,256
Pensions paid in the year	-	(21,280)	(21,280)	(21,870)
Employer's contribution	-	-	-	(17)
Pension transfers-in	-	-	-	-
Net finance charge	4	27,100	27,104	22,603
Actuarial (gain)/loss	(14)	30,540	30,526	86,784
<b>Net (assets) / liabilities at end of year</b>	<b>0</b>	<b>674,980</b>	<b>674,980</b>	<b>628,562</b>

3 f) Reporting of Civil Service and other compensation schemes – exit packages

Exit Package Cost Band	2014-15 Total number of Exit Packages by cost band	2013-14 Total number of Exit Packages by cost band
<£10,000	2	1
£10,000 – £25,000	30	68
£25,000 – £50,000	63	96
£50,000 – £100,000	65	82
£100,000 – £150,000	12	7
£150,000 – £200,000	1	2
£200,000 – £250,000	-	-
<b>Total Number Of Exit Packages</b>	<b>173</b>	<b>256</b>
<b>Total resource Cost (£'000)</b>	<b>9,003</b>	<b>11,317</b>

There were no compulsory redundancies in 2014–15 or 2013–14.

The Voluntary Exit Scheme (VES) applied in 2014–15 was accepted by 173 officers, but no Directors and did not require a provision to meet future years' costs. All costs associated with this scheme were incurred in 2014–15. The scheme was open to officers at NCA Grade 5 and above.

A further 262 officers accepted on the 2013–14 VES had leaving dates within 2014–15.

Redundancy and other departure costs were paid or agreed in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for on an accruals basis. Where the agency had agreed early retirements, the additional costs were met by the agency and not by the Civil Service Pension Scheme. Ill-health retirements were met by the pension scheme and are not included in the above table.

#### 4. Other Administration Costs

	2014–15 £'000	2014–15 £'000	2013–14 £'000	2013–14 £'000
Premises costs (excluding onerous lease provision)*	2,456		2,252	
Onerous lease provision	-		-	
IT expenses	1,956		2,434	
Accommodation, subsistence and general expenses	927		917	
Transport costs	-		55	
Office and general expenses	1,060		224	
Conference set up and running costs	465		65	
		<b>6,864</b>		<b>5,947</b>
Operational and Communication costs	-		-	
Other operating subscriptions	53		52	
		<b>53</b>		<b>52</b>
Fees:				
Professional services and fees†	3,917		1,044	
		<b>3,917</b>		<b>1,044</b>
		<b>10,834</b>		<b>7,043</b>

\* This amount is provided to explain the impact of the onerous leases provision, for properties vacated by 31 December 2014 on 2013–14 and 2014–15 expenditure.

† Professional services and fees costs for 2014–15 includes the movement in legal provisions see note 15.

## 5. Programme Costs

	2014-15 f'000	2014-15 f'000	2013-14 f'000	2013-14 f'000
Operating costs:				
Premises costs (excluding onerous lease provision)*	48,286		46,158	
Onerous lease provision	(762)		(787)	
IT expenses	40,562		51,044	
Accommodation, subsistence and general expenses	15,663		15,592	
Transport costs	8,886		9,090	
Office and general expenses	1,738		1,978	
Conference set up and running costs	291		809	
Office equipment and repairs	460		520	
Operational and communication costs	20,656		20,000	
INTERPOL subscription <sup>‡</sup>	2,784		2,841	
Other operating subscriptions <sup>§</sup>	201		315	
Foreign exchange (gain) / loss	42		(21)	
		<b>138,807</b>		<b>147,539</b>
Fees:				
Forensic fees	4,351		3,241	
Interim Receivers' fees	28		210	
SOCA external audit fee	-		125	
Professional services and fees <sup>†</sup>	3,386		1,621	
		<b>7,765</b>		<b>5,197</b>
Other Expenditure:				
Grants to forces and other public sector bodies	1,994		1,346	
Contract charges	-		-	
		<b>1,994</b>		<b>1,346</b>
Non-Cash items:				
Depreciation		25,820		27,211
Amortisation		12,352		10,589
Revaluation loss on non-current assets		194		399
Auditor's remuneration and expenses		140		120
Notional expenditure covered by donations		1,608		1,809
Notional expenditure		-		-
		<b>188,680</b>		<b>194,210</b>

\* The above note includes further analysis of Premises costs. The analysis is provided to explain the impact of the onerous leases provision, for properties vacated by 31 December 2014 on 2013-14 and 2014-15 expenditure.

† Professional services and fees costs for 2014-15 includes the movement in legal provisions see note 15.

‡ The NCA makes annual payments to INTERPOL at a contribution rate agreed by the INTERPOL Board. The NCA accounts for these payments on an accruals basis.

§ The NCA also makes annual payments to support the Sirene programme as part of the development of the Schengen Information System. The NCA accounts for these payments on an accruals basis.

## 6. Income and Funding

	2014-15 £'000	2014-15 £'000	2013-14 £'000	2013-14 £'000
Funding received:				
Other operating income	383		135	
<b>Total Administration Income</b>		<b>383</b>		<b>135</b>
Funding received:				
Scottish Executive contributions	5,423		5,484	
Police Service of Northern Ireland contributions	1,011		1,463	
Recovered Asset Incentivisation Fund	8,873		6,435	
EU Funding	546		1,021	
Civil recoveries applied to receivers' fees	18		210	
Specific operational funding	27,561		22,784	
		<b>43,432</b>		<b>37,397</b>
Donation of goods and services (excl cash):				
Donations over £250k	941		1,612	
Donations under £250k	667		197	
		<b>1,608</b>		<b>1,809</b>
Other operating income:				
Cash Donations	159		169	
Others	1,393		2,702	
		<b>1,552</b>		<b>2,871</b>
Costs recovered		473		393
Rents and service charges		353		73
<b>Total Programme Income</b>		<b>47,418</b>		<b>42,543</b>

Income is recognised in the accounts when the NCA provides services, delivers goods or achieves agreed contractual milestones. Other income streams include revenue from the European Union, training courses provided by CEOP Command and costs recovered from other government bodies in accordance with agreed terms. Funding is received from the Scottish Government and the Police Service of Northern Ireland, relating to the fact that they benefit from work undertaken by the NCA, and is not ring-fenced. This income is included in the Statement of Comprehensive Net Expenditure.

### 6 a) Funding

Specific Operational funding relates to funding received to undertake a number of discrete projects, for example Cyber Crime. Funding was received from the Home Office £20.4m (2013-14: £16.9m), the Foreign and Commonwealth Office £5.2m (2013-14: £5.7m), other government bodies £1.6m (2013-14: £0.2m), and non government companies, to include EU funding, of £0.3m (2013-14: nil). All of these projects cover more than one financial year.

### 6 b) Donations of goods and services

Donations of goods, services and cash are used by CEOP to support its objectives.

## 6 c) Other income

Other income includes income received from government departments to fund operational activity. No non-government bodies have provided operational funding.

## 6 d) Costs Recovered

Costs recovered include costs recovered from the Foreign and Commonwealth Office of £169k (2013–14: £389k); other government agencies £251k (2013–14: £118k) and non-government bodies £52k (2013–14: nil).

Rents and service charges of £353k (2013–14: £73k) were received from other law enforcement agencies during the year ended 31 March 2015.

## 7. Property, Plant and Equipment

### 7 a) Tangible Non-current Assets – Property, Plant and Equipment at 31 March 2015

	Buildings £'000	Land £'000	Improvements to leasehold buildings £'000	Motor vehicles £'000	IT Assets £'000	Plant & Machinery £'000	Furniture & Fitting £'000	Payments on account & assets under construction £'000	Total £'000
<b>Cost or valuation</b>									
At 1 April 2014	18,814	3,172	107,761	37,917	73,687	30,904	6,823	9,630	288,708
Additions	76	-	3,913	1,057	3,800	3,143	360	11,495	23,844
Disposals	-	-	-	(4,679)	-	-	-	-	(4,679)
Impairments and write-offs	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	(2)	6,059	3,575	4	-	(9,636)	-
Revaluations	3,568	-	9,018	(60)	63	19	28	-	12,636
<b>At 31 March 2015</b>	<b>22,458</b>	<b>3,172</b>	<b>120,690</b>	<b>40,294</b>	<b>81,125</b>	<b>34,070</b>	<b>7,211</b>	<b>11,489</b>	<b>320,509</b>
<b>Depreciation</b>									
At 1 April 2014	9,358	-	54,961	26,421	44,153	23,085	5,237	-	163,215
Charge in year	1,022	-	10,444	3,087	8,277	2,759	231	-	25,820
Disposals	-	-	-	(4,271)	-	44	-	-	(4,227)
Impairments and write-offs	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Revaluations	1,733	-	5,038	(27)	22	9	17	-	6,792
<b>At 31 March 2015</b>	<b>12,113</b>	<b>0</b>	<b>70,443</b>	<b>25,210</b>	<b>52,452</b>	<b>25,897</b>	<b>5,485</b>	<b>0</b>	<b>191,600</b>
Carrying amount at 31 March 2014	9,456	3,172	52,800	11,496	29,534	7,819	1,586	9,630	125,493
<b>Carrying amount at 31 March 2015</b>	<b>10,345</b>	<b>3,172</b>	<b>50,247</b>	<b>15,084</b>	<b>28,673</b>	<b>8,173</b>	<b>1,726</b>	<b>11,489</b>	<b>128,909</b>

All assets were owned by the NCA.

Freehold land and buildings were valued professionally by independent chartered surveyors (Knight Frank) in March 2015, the adjusted value is reflected in the above. The valuation was based on physical inspection and web-based investigations of five properties owned by the NCA during March 2015. The valuation was provided as at 31 March 2015 based on the existing use value of the properties in their current physical condition. Where possible, reliable comparative information has been used as a basis of the valuation of the properties.

The value provided by Knight Frank has been calculated after allowing for purchaser's costs of 5.8%, in accordance with standard market practice. These comprise of 4.00% Stamp Duty Land Tax, agent's fees of 1.00% and legal fees of 0.50% with VAT of 20% on the agents and legal fees.

The valuation was carried out in accordance with the relevant edition of the RICS Valuation – Professional Standards 'The Red Book' by valuers who conform to its requirements and with regard to relevant statutes or regulations. Compliance with The Red Book is mandatory for Chartered Surveyors in the interests of maintaining high standards of service and for the protection of clients.

Any loss on revaluation of individual properties (2014–15: -£166k) is taken to the Statement of Comprehensive Net Expenditure. Any gain on revaluation of individual properties (2014–15: £2,001k) is taken to the Revaluation Reserve on the Statement of Financial Position.

No new buildings were purchased during the year.

## 7 b) Tangible Non-current Assets – Property, Plant and Equipment at 31 March 2014

	Buildings £'000	Land £'000	Improvements to leasehold buildings £'000	Motor vehicles £'000	IT Assets £'000	Plant & Machinery £'000	Furniture & Fitting £'000	Payments on account & assets under construction £'000	Total Restated £'000
<b>Cost or valuation</b>									
At 1 April 2013	18,080	3,041	98,502	38,368	80,884	46,978	7,762	18,374	311,989
Additions	583	-	5,676	3,319	5,341	3,572	239	8,618	27,348
Disposals	(19)	-	(3,752)	(4,959)	(22,450)	(22,043)	(1,008)	-	(54,231)
Impairments and write-offs	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	2,161	12,021	3,180	-	(17,362)	-
Transfers from NPIA	-	-	-	-	-	-	-	-	-
Revaluations	170	131	7,335	(972)	(2,109)	(783)	(170)	-	3,602
<b>At 31 March 2014</b>	<b>18,814</b>	<b>3,172</b>	<b>107,761</b>	<b>37,917</b>	<b>73,687</b>	<b>30,904</b>	<b>6,823</b>	<b>9,630</b>	<b>288,708</b>
<b>Depreciation</b>									
At 1 April 2013	8,403	-	44,755	28,718	57,831	42,937	5,495	-	188,139
Charge in year	873	-	10,329	2,699	9,736	2,711	865	-	27,213
Disposals	(19)	-	(3,753)	(4,591)	(22,450)	(22,023)	(1,008)	-	(53,844)
Impairments and write-offs	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
In year MoG	-	-	-	44	193	-	-	-	237
Transfer of dep'n	-	-	-	-	-	-	-	-	-
Revaluations	101	-	3,630	(449)	(1,157)	(540)	(115)	-	1,470
<b>At 31 March 2014</b>	<b>9,358</b>	<b>-</b>	<b>54,961</b>	<b>26,421</b>	<b>44,153</b>	<b>23,085</b>	<b>5,237</b>	<b>-</b>	<b>163,215</b>
Carrying amount at 31 March 2013	9,677	3,041	53,747	9,651	23,053	4,041	2,267	18,374	123,851
<b>Carrying amount at 31 March 2014</b>	<b>9,456</b>	<b>3,172</b>	<b>52,800</b>	<b>11,496</b>	<b>29,534</b>	<b>7,819</b>	<b>1,586</b>	<b>9,630</b>	<b>125,493</b>

All assets were owned by the NCA.

## 8. Intangible Assets

### 8 a) Intangible Non-current Assets at 31 March 2015

	Purchased software £'000	Payments on account & assets under construction £'000	Total £'000
<b>Cost or valuation</b>			
At 1 April 2014	66,276	353	66,629
Additions	15,805	742	16,547
Disposals	-	-	-
Impairments and write-offs	-	-	-
Reclassifications	353	(353)	-
<b>At 31 March 2015</b>	<b>82,434</b>	<b>742</b>	<b>83,176</b>
<b>Amortisation</b>			
At 1 April 2014	38,135	-	38,135
Charge in year	12,352	-	12,352
Disposals	-	-	-
Impairments and write-offs	-	-	-
Reclassifications	-	-	-
<b>At 31 March 2015</b>	<b>50,487</b>	<b>-</b>	<b>50,487</b>
Carrying amount at 31 March 2014	28,141	353	28,494
<b>Carrying amount at 31 March 2015</b>	<b>31,947</b>	<b>742</b>	<b>32,689</b>

All intangible assets were owned by the NCA.

## 8 b) Intangible Non-current Assets at 31 March 2014

	Purchased software £'000	Payments on account & assets under construction £'000	Total £'000
<b>Cost or valuation</b>			
At 1 April 2013	47,982	13,326	61,308
Additions	13,244	354	13,598
Disposals	(8,277)	-	(8,277)
Impairments and write-offs	-	-	-
Reclassifications	13,327	(13,327)	-
<b>At 31 March 2014</b>	<b>66,276</b>	<b>353</b>	<b>66,629</b>
<b>Amortisation</b>			
At 1 April 2013	35,823	-	35,823
Charge in year	10,589	-	10,589
Disposals	(8,277)	-	(8,277)
Impairments and write-offs	-	-	-
Reclassifications	-	-	-
At 31 March 2014	<b>38,135</b>	-	<b>38,135</b>
Carrying amount at 31 March 2013	12,159	13,326	25,485
<b>Carrying amount at 31 March 2014</b>	<b>28,141</b>	<b>353</b>	<b>28,494</b>

All intangible assets were owned by the NCA.

## 9. Capital and other commitments

### 9 a) Contracted capital commitments for 31 March 2015 for which no provision has been made:

	2014-15 £'000	2013-14 £'000
Not later than one year	6,048	9,817
Later than one year and not later than five years	4,366	6,753
Later than five years	-	259
<b>Total</b>	<b>10,414</b>	<b>16,829</b>

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

### 9 b) Commitments under leases

The NCA was committed to pay for the following operating lease rentals in the future financial years:

	2014-15 £'000	2013-14 £'000
Obligations under operating leases comprise:		
Buildings:		
Not later than one year	20,184	19,049
Later than one year and not later than five years	63,412	60,927
Later than five years	95,166	113,203
<b>Total</b>	<b>178,762</b>	<b>193,179</b>

### 9 c) Other Financial Commitments

Other commitments include contracts for the provision of information technology, communication services and facilities management.

	2014-15 £'000	2013-14 £'000
Other financial commitments:		
Not later than one year	73,252	36,151
Later than one year and not later than five years	96,567	95,528
Later than 5 years	17,715	29,733
<b>Total</b>	<b>187,534</b>	<b>161,412</b>

## 10. Financial Instruments

As the cash requirements of the department are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the agency's expected purchase and usage requirements and the agency is therefore exposed to little credit, liquidity or market risk.

## 11. Cash and Cash Equivalents

	2014–15 £'000	2013–14 £'000
Balance at 1 April 2014	73,414	9,605
Net change in cash and cash equivalents balances	(62,282)	63,809
<b>Balance at 31 March 2015</b>	<b>11,132</b>	<b>73,414</b>

The following balances at 31 March 2015 were held at:

Commercial banks and cash in hand	8,806	5,836
Balance held with Government Banking Service	2,326	67,578
<b>Balance at 31 March 2015</b>	<b>11,132</b>	<b>73,414</b>

The NCA operated a number of bank accounts and cash imprest accounts during the year. The NCA does not draw down funds from Treasury in advance of need.

The UK accounts operated some commercial accounts under a pooling arrangement which allowed some accounts to be overdrawn, as long as the main NCA account was in credit to cover the overdrawn balances. Cash and cash equivalent balances held at 31 March 2015 were converted to sterling at the prevailing spot rate.

Interest of £7k was received during the year on bank balances (2013–14: £50k).

## 12. Trade receivables and other current assets

	2014–15 £'000	2013–14 £'000
<b>(a) Amounts falling due within one year:</b>		
Trade receivables	5,538	3,010
Accrued income*	27,946	14,954
Other receivables	4,064	4,972
Prepayments	9,330	10,097
	<b>46,878</b>	<b>33,033</b>
<b>(b) Amounts falling due after one year:</b>		
Other receivables	9	10
	<b>9</b>	<b>10</b>
<b>(c) Intra-government balances falling due within one year:</b>		
Balances with other central government bodies	26,268	22,281
Balances with local authorities and police authorities	818	248
<b>Subtotal: intra-government balances</b>	<b>27,086</b>	<b>22,529</b>
Balances with bodies external to government	19,792	10,504
	<b>46,878</b>	<b>33,033</b>
<b>(d) Intra-government balances falling due after one year:</b>		
Balances with bodies external to government	9	10
	<b>9</b>	<b>10</b>

\* Accrued income in 2014–15 has increased significantly from 2013–14 due to the increase in value of externally funded projects and the timing of receipts from devolved administrations.

### 13. Trade payables and other current liabilities

	2014-15 £'000	2013-14 £'000
<b>(a) Amounts falling due within one year</b>		
Other Tax and Social Security	6,013	1,823
Trade Payables	9,542	7,668
Other Payables	650	605
Amounts issued from the Consolidated Fund for supply but not spent at year end	11,132	73,414
Accruals and deferred income	57,087	64,713
	<b>84,424</b>	<b>148,223</b>
<b>(b) Amounts falling due after more than one year</b>		
Other payables*	2,465	2,608
	<b>2,465</b>	<b>2,608</b>
<b>(c) Intra-government balances falling due within one year</b>		
Balances with other central government bodies	7,542	81,298
Balances with local authorities and police authorities	1,311	1,426
<b>Subtotal: intra-government balances</b>	<b>8,853</b>	<b>82,724</b>
Balances with bodies external to government	75,571	65,499
<b>Balances excluding deferred income</b>	<b>84,424</b>	<b>148,223</b>
<b>(d) Intra-government balances falling due after more than one year</b>		
Balances with bodies external to government	2,465	2,608
	<b>2,465</b>	<b>2,608</b>

\* Other payables relates to the elements of the rent discount that fall due after more than one year.

## 14. Provisions for Liabilities and Charges

	Legal Provision £'000	Retirement Provision £'000	Dilapidation Provision £'000	Bad Debt Provision £'000	Onerous Lease Provision £'000	Total Provision £'000
<b>Balance at 1 April 2014</b>	<b>(1,872)</b>	<b>(3,637)</b>	<b>(1,228)</b>	<b>(5)</b>	<b>(3,070)</b>	<b>(9,812)</b>
Provided in year	(1,620)	-	(2,367)	-	(483)	(4,470)
Provisions not required written back*	488	-	384	5	672	1,549
Provisions utilised in the year†	84	754	112	-	744	1,694
Cost of borrowing (Unwinding of discount)	-	4	116	-	(171)	(51)
<b>Balance at 31 March 2015</b>	<b>(2,920)</b>	<b>(2,879)</b>	<b>(2,983)</b>	<b>0</b>	<b>(2,308)</b>	<b>(11,090)</b>

	Legal Provision £'000	Retirement Provision £'000	Dilapidation Provision £'000	Bad Debt Provision £'000	Onerous Lease Provision £'000	Total Provision £'000
<b>Balance at 1 April 2013</b>	<b>(6,449)</b>	<b>(4,247)</b>	<b>(1,430)</b>	<b>(140)</b>	<b>(3,714)</b>	<b>(15,980)</b>
Provided in year	(540)	-	-	(5)	-	(545)
Provisions not required written back*	4,972	-	189	-	-	5,161
Provisions utilised in the year†	145	712	-	140	518	1,515
Cost of borrowing (Unwinding of discount)	-	(102)	13	-	126	37
<b>Balance at 31 March 2014</b>	<b>(1,872)</b>	<b>(3,637)</b>	<b>(1,228)</b>	<b>(5)</b>	<b>(3,070)</b>	<b>(9,812)</b>

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

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

The provisions are anticipated to crystallise in the NCA as follows:

	Legal Provision £'000	Retirement Provision £'000	Dilapidation Provision £'000	Bad Debt Provision £'000	Onerous Lease Provision £'000	2014-15 Total Provision £'000	2013-14 Total Provision £'000
within 1 year	-	687	2,253	-	469	3,409	1,636
2 – 5 years	2,920	1,395	458	-	1,294	6,067	6,087
Over 5 years	-	797	272	-	545	1,614	2,089
<b>Total</b>	<b>2,920</b>	<b>2,879</b>	<b>2,983</b>	<b>-</b>	<b>2,308</b>	<b>11,090</b>	<b>9,812</b>

The Legal provision of £2.92m related to provision for claims and costs relating to potential Civil Recovery cases, and cases in progress to cover estimates on litigation costs for officers undertaking action because of injury, loss of employment, changes in conditions of service and operational activity. The provision allowed for both costs and compensation payments.

The Retirement provision of £2.879m was created to provide for expected future pension obligations in accordance with the HM Treasury approved exit scheme SOCA adopted in October 2010 for 48 officers until they reached 60 years of age. There are currently 28 members left on this scheme. The valuation, as advised by HM Treasury, included a discount factor of 1.3% (2013-14: 1.80%) that is applied to future years' cash flows.

The Dilapidation provision assessed and valued expected dilapidation costs on buildings the NCA have already exited or with a published date of exit. An amount was provided for in the accounts based on an estimated charge per sq. ft of leased space and allowed for the reversal of any changes to the building made by the NCA and the costs of redecoration.

The Bad Debt Provision assessed outstanding debts for the potential risk of the debt not being recovered and a provision was made where deemed necessary. A significant amount of work was undertaken to reduce Bad debts to a minimum. As such, no Bad Debt provision was required for the year to 31 March 2015.

The Onerous lease provision was created in accordance with IAS 37 and related to four offices vacated for which there was a lease obligation beyond 31 March 2015. The provision took into account known future lease breaks and lease end dates. The NCA endeavoured to dispose of these properties in line with the NCA Board's Estates Strategy.

## 15. Contingent Liabilities and Indemnities

### 15 a) Lease Dilapidations

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

The following estimate is based on a charge per square foot of leased space, the cost for the reversal of any changes to the building made by the NCA and the costs of redecoration. This potential liability to the NCA on vacation of leased premises at 31 March 2015 was estimated to fall due as follows:

	<b>2014-15</b>	<b>2013-14</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	171	556
Later than one year and not later than five years	217	1,268
Later than 5 years	2,835	3,374
	<b>3,223</b>	<b>5,198</b>

### 15 b) Litigation Costs

NCA had a small number of claims from employees, members of the public and suppliers that could result in compensation payments to be made on settlement. These claims were considered to be contingent liabilities because the probability of NCA being successful in litigation was less than 50% and they were at an early stage of action, making the determination of costs impossible. Compensation payments made are reported in note 16.

## 15 c) Indemnities

A Departmental Minute was laid before Parliament in October 2011 which enables the NCA to indemnify bodies against losses when using their facilities for firearms training purposes, to a maximum value at any one time of £50m. The NCA entered into 34 agreements with suppliers during the reporting period (2013–14: 55), with a maximum value at any one date of £5m (2013–14: £15m). At 31 March 2015, the NCA had no indemnities in place with firearms training establishments (2013–14: 5 at £14m). Controls were in place to ensure that these did not exceed the £50m limit at any specific date. No individual indemnity held during the reporting period exceeded £5m in value. The maximum indemnity in place at any one time was £5m for the period 1 to 26 September 2014 and £5m for the period 5 to 8 January 2015.

With effect from October 2011, SOCA, and subsequently the NCA, had the authority to enter into other indemnities for operational need of up to £0.25m in any particular case. The NCA entered into no new indemnities during the year (2013–14: nil).

A PF78 (solicitor's undertaking as to expenses) occurred in circumstances where a person, by dint of their age or capacity, was unable to defend their own interests. In these cases, the court would direct that their interests were independently represented by the office of the Official Solicitor. In such circumstances, the NCA was requested by the court to provide an undertaking to indemnify the Official Solicitor's reasonable costs. No new PF78s were established in the period to 31 March 2015 (2013–14: nil).

Following a review of indemnities during the year the following indemnities remain in place as at 31 March 2015:

- 5 indemnities (2013–14: 5) with banks relating to the recovery of criminal assets with an estimated value of £0.545m (2013–14: £0.603m). The decreased value is due to Euro / Sterling exchange rate movements.
- 5 indemnities (2013–14: 5) with clearing banks with a maximum aggregated value of £0.674m (2013–14: £0.820m).
- 4 operational indemnities (2013–14: 4) with a combined maximum estimated value of £1m (2013–14: £1m).
- 5 PF78 relating to solicitor's undertaking as to expenses (2013–14: 5) with potential liability of less than £0.125m (2013–14: £0.125m).

No liabilities crystallised during the period. The NCA continually reviewed indemnities according to the quantum of risk and likelihood.

## 16. Losses and Special Payments

Special payments of £0.085m were paid in relation to 11 compensation payments during the year ended 31 March 2015 (2013–14: £0.086m for 7 payments). There were no constructive losses in period 2014–15 or 2013–14.

## 17. Related Party Transactions

The following organisations were considered to be related parties to the NCA:

	Closing Balance 2014-15 £'000	Closing Balance 2013-14 £'000	Net spend / (income) 2014-15 £'000	Net spend / (income) 2013-14 £'000
Home Office	15,685	13,922	3,100	(22,645)
Foreign & Commonwealth Office	(2,167)	(436)	6,363	1,477
Government Estates Management	9	(266)	744	485
Northern Ireland Administration	(18)	557	(795)	(469)
Scottish Government	5,338	(3)	619	(5,317)
HMRC	(1,072)	1,290	3,235	2,232
Police Forces	(523)	(856)	4,505	3,210
Local Government	30	(210)	4,195	157
HMIC	-	-	-	380
National Police Improvement Agency	-	-	-	(170)
Other (not analysed)	951	(785)	(136)	1,012
	<b>18,233</b>	<b>13,213</b>	<b>21,830</b>	<b>(19,648)</b>

No minister, board member, key manager or other related parties has undertaken any material transactions with the NCA during the year.

## 18. Third Party Assets

Seized property is that which is appropriated by the NCA and other law enforcement bodies but which may still be liable to be returned. Seized property held by the NCA as at 31 March 15 consisted of £12.2m (2013-14 £11.4m) in cash, motor vehicles and other valuables suspected of being derived from criminal activity.

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

	2014-15 £'000	2013-14 £'000
Third party assets:		
Monies	11,059	9,864
Physical assets	1,185	1,543
<b>Total</b>	<b>12,244</b>	<b>11,407</b>

## 19. Recovered Assets

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

	2014-15 £'000	2013-14 £'000
Recovered assets receipts 1st April – 31st March 2015:		
- Civil	8,097	2,290
- Criminal	32	360
- Tax	1,771	1,388
	9,900	4,038
Recovered assets receipts 1st April – 31st March 2015:		
Asset recoveries applied against receivers' fees (see below)	(28)	(210)
<b>Net recovered receipts</b>	<b>9,872</b>	<b>3,828</b>
Receipts paid to the Home Office 1st April – 31st March 2015	(5,871)	(2,418)
<b>Recovered asset proceeds held at 31st March 2015</b>	<b>4,001</b>	<b>1,410</b>

The NCA pays to the Home Office, quarterly in arrears, recovered asset receipts net of estimated receivership and enforcement costs. A final payment for £4m is due from the monies held in the separately identified third party bank accounts will be paid to the Home office by June 2015.

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

The "criminal" receipts figure quoted above relates to the NCA's ongoing responsibility to enforce payment against criminal confiscation orders obtained in previous years by ARA or where the NCA has obtained a confiscation order in connection with an investigation commenced by ARA. It is by its nature a small and diminishing amount. All other existing confiscation orders obtained by NCA and new confiscation orders unconnected with ARA obtained since the merger continue to be enforced by the courts. This figure has no relationship to the value of new confiscation orders obtained by the NCA 1 April 2014 to 31 March 2015; nor to the value of receipts banked by the courts in fulfilment of confiscation orders obtained by the NCA from 1 April 2014 to 31 March 2015 and previous years.

## 20. Recovered Assets Allowable Against Receivers' Fees

Section 280, Subsection 3 of the amended Proceeds of Crime Act 2002 (POCA) enables the Director General to meet the costs of an appointed Interim Receiver from sums received from Civil Recovery proceedings in a way which directly mirrors the provisions in criminal confiscation cases in Parts 2 and 4 of POCA. The commencement date of the provision was 1 July 2005 and, thereafter, the costs of Interim Receivers and Trustees were permitted to be offset against eventual case proceeds.

	2014-15 £'000	2013-14 £'000
Total receivers' fees in year	28	210
Assets in enforcement applied	(28)	(210)
<b>Net receivers' fees in year</b>	<b>-</b>	<b>-</b>

## 21. Forfeiture and confiscation orders

Receipts paid to the Home Office during the year in fulfilment of cash forfeiture orders obtained in the period 1 April 2014 to 31 March 2015 and previous years are set out below. It should be noted that the time-lag created by the 30 day appeal period which follows all cash forfeiture orders and the normal business delays in processing forfeited cash through to the Home Office means that the amount paid to the Home Office in any given financial year will not correspond precisely to the stated value of new cash forfeiture orders obtained over the same period.

	<b>2014-15</b>	<b>2013-14</b>
	<b>£'000</b>	<b>£'000</b>
Forfeiture and confiscation monies paid over	3,609	6,054

## 22. Events after the Reporting Period

The NCA became fully operational in Northern Ireland on 20 May. Officers are now able to exercise the powers and privileges of a Northern Ireland constable, in accordance with General Authorisation agreed between the Director General and Minister of Justice Northern Ireland.

As noted in the Remuneration Report, on 21 May 2015 the Director General, Keith Bristow announced his intention to retire from the NCA in early 2016. He has decided to make this known now to enable the Home Secretary to appoint a successor in good time and for a hand over to take place.

These financial statements were authorised for issue by the Director General on the same date that the Comptroller and Auditor General signed his certificate.

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