Investigation by the Serious Fraud Office into Serco companies concludes with a Deferred Prosecution Agreement

3 July 2019
Serco Group plc
LEI: 549300PT2CIHYN5GWJ21

Serco Group plc (‘Serco’ or ‘the Group’), the international service company, today announces that one of its UK subsidiaries, Serco Geografix Ltd (SGL), has reached an agreement in principle to a Deferred Prosecution Agreement (DPA) with the UK Serious Fraud Office (SFO). This proposed DPA is subject to final judicial approval, and SGL and the SFO will both appear in court on 4 July 2019 to seek this approval. If confirmed by the Court, this would conclude the SFO’s investigation into Serco companies announced in November 2013.

Key points

- Serco Geografix Ltd has taken responsibility under the terms of the proposed DPA for three offences of fraud and two of false accounting committed between 2010 and 2013 related to the reporting to the UK Ministry of Justice (MoJ) of the levels of profitability of Serco’s Electronic Monitoring (EM) contract. These issues were reported by Serco to the SFO and the MoJ in November 2013.
- Investigations into allegations of wrongful billing which were the subject – understandably – of significant public and Parliamentary concern in 2013 have now been concluded without any criminal charges against Serco.
- SGL will pay a fine of £19.2m together with £3.7m related to the SFO's investigation costs. The fine reflects a discount of 50% as a result of Serco’s self-reporting, as well as its significant and substantial cooperation with the investigation. No damages or disgorgement of profit will be payable to the MoJ because the SFO has agreed that Serco has already fully compensated the Department in respect of the offences as part of a £70m settlement paid by Serco to the MoJ in December 2013.
- The SFO has recognised the significant steps Serco has taken to reform itself, including the thorough implementation under independent supervision of a comprehensive Corporate Renewal Programme approved by the UK Government. This programme included over 80 actions and initiatives, and included rewriting our system of management control, as well as strengthening our bidding, contract management, internal audit and management assurance processes.
- Nobody who sat on the Board of Serco Group, or who was part of the Executive Management Team at the time these offences were committed, works for Serco today.
- Alongside the DPA, Serco has assumed certain obligations including on-going co-operation with the SFO and further strengthening of its Group-wide Ethics and Compliance functions, as well as agreeing to report annually to the SFO and the Cabinet Office on the Group’s assurance programme.
- In June 2016, the Financial Reporting Council (FRC) announced an investigation into the conduct of the Group’s auditors at the time, Deloitte. Nothing in these matters impacts the previously reported statutory accounts of Serco Group.

Rupert Soames, Serco Group Chief Executive, said: “Those of us who now run the business are mortified, embarrassed and angry that, in a period between six and nine years ago, Serco understated the level of profitability of its Electronic Monitoring contract in its reports to the Ministry of Justice. Serco apologised unreservedly at the time, and we do so again. Nobody who sat on the Board of Serco Group, or who was part of the Executive Management Team at the time these offences were committed, works for the Group today.

“Over the last six years we have worked extremely hard to regain the trust and confidence of Government, implementing in its entirety a Corporate Renewal Programme which was approved by Government and which has helped us to transform our corporate culture, processes and governance. The management and culture of Serco, and the transparency with which we conduct our affairs, have changed beyond all recognition, and we are pleased that this has been acknowledged by both the SFO and by the Government.”

Serco has been advised on these matters by our corporate lawyers, Clifford Chance LLP.

Ends

For further information please contact Serco:
Stuart Ford, Head of Investor Relations T +44 (0) 7738 894 788
Marcus De Ville, Head of Media Relations T +44 (0) 7738 898 550
About Serco
Serco is a leading provider of public services. Our customers are governments or others operating in the public sector. We gain scale, expertise and diversification by operating internationally across five sectors and four geographies: Defence, Justice & Immigration, Transport, Health and Citizen Services, delivered in UK & Europe, North America, Asia Pacific and the Middle East.

More information can be found at www.serco.com