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**Foreign, Commonwealth &  
Development Office**

**Overseas Superannuation  
Accounts 2020-21**

**(For the year ended 31 March 2021)**

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# **Foreign, Commonwealth & Development Office**

## **Overseas Superannuation Accounts 2020-21**

**(For the year ended 31 March 2021)**

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## Contents

### Section A: Accountability Report

|   |    |
|---|----|
| Report of the Managers .....  | 1  |
| Report of the Actuary.....  | 10 |
| Statement of Accounting Officer's Responsibilities .....  | 15 |
| Governance Statement.....   | 16 |
| Statement of Outturn Against Parliamentary Supply .....   | 23 |
| Notes to the Statement of Outturn Against Parliamentary Supply.....                             | 26 |
| Parliamentary Accountability Disclosures.....   | 28 |
| The Certificate and Report of the Comptroller and Auditor General to the House of Commons ..... | 29 |
| Report of the Comptroller and Auditor General to the House of Commons .....                     | 34 |

### Section B: Financial Statements

|  |    |
|--|----|
| Statement of Comprehensive Net Expenditure ..... | 36 |
| Statement of Financial Position .....            | 37 |
| Statement of Changes in Taxpayers' Equity .....  | 38 |
| Statement of Cash Flows .....                    | 39 |
| Notes to the Financial Statements.....           | 40 |

### Appendices

|   |    |
|---|----|
| Appendix A: List of pension Schemes and their updates ..... | 48 |
|---|----|

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## **Section A: Accountability Report**

### **Report of the Managers**

#### **Introduction**

These Accounts report the activities of the Overseas Superannuation Schemes. The financial statements have been prepared in accordance with the relevant provisions of the 2020-21 *Government Financial Reporting Manual (FRM)*.

The Schemes (refer to Appendix A) were the responsibility of the Department for International Development (DFID). On 2 September 2020 DFID and the Foreign and Commonwealth Office merged into a new department called the Foreign, Commonwealth and Development Office (FCDO), led by the Secretary of State for Foreign, Commonwealth and Development Affairs, and responsibility for the Schemes, including these Accounts, transferred to the new department.

DFID's, now the FCDO's, Overseas Pensions Department (OPD), on behalf of the Schemes, has responsibility for the administration and payment of pensions and related benefits to former expatriate colonial civil and public servants and their dependants, including those who served in a civil or military capacity in former British India and the Sudan public service. Other than HM Treasury, OPD are not reliant on any other UK Government Department in order to pay these pensions. OPD are also responsible for the formulation of the British Government's policy on overseas pensions and UK pension increase supplements.

The activities reported in these Accounts mainly derive from two policy initiatives by the British Government: a 1962 agreement to supplement the pensions paid to certain former colonial civil servants and a 1970 announcement that the British Government would assume responsibility from overseas governments for the payment of pensions due to expatriate colonial civil servants who had mainly been appointed by or on behalf of the Secretary of State for the Colonies.

The element of these pensions arising from service after independence, together with certain widows' pensions, derive from the capital sums which were paid over to the British Government on assuming responsibility from the overseas governments, or by funded pension schemes which have been wound up, to cover their future liabilities. The British Government meets the cost of the pre-independence element and the cost of those widows' and dependants' pensions that do not derive from a previously funded scheme. The UK Government does not hold any dedicated assets in respect of these pension obligations.

The Accounts include beneficiaries and former beneficiaries of the Gibraltar Social Insurance Fund (GSIF) administered by Crown Agents Bank (CAB) on behalf of the UK Government. Management of this outsourced contract and reporting of these pensions have been included since 1 April 2018.

All payments have been agreed under HM Treasury classification to be Annually Managed Expenditure (AME). AME is used to reflect costs which are volatile in a way that cannot be controlled by OPD.

The Minister with responsibility for Overseas Superannuation Schemes for the financial year ending 31 March 2021 was Lord Ahmad of Wimbledon. The Schemes' Manager with responsibility for the operation of the Overseas Superannuation Schemes was the Head of the Overseas Pensions Department (OPD) at FCDO, Vince Kelly, until 20 January 2021. Following this date, the acting Scheme Manager was Babs Cunningham, the Business and Support Services Manager. Nick Dyer CB was the DFID Acting Permanent Secretary and Interim Accounting Officer up to 1 September 2020. From 2 September 2020, Sir Philip Barton became the Permanent Under-Secretary and Accounting Officer of the Schemes.

## Management Commentary

Pensions and related benefits included in these Accounts and administered by OPD are all paid in Sterling. All pensions are originally awarded in the currency of the country of service. All pensions are paid in sterling, most at a fixed rate of exchange, but some are paid at a current rate of exchange. The foreign exchange liability is limited by the supplement and/or safeguard caps. This is considered by the Government Actuary's Department in their actuarial valuation.

These Accounts relate to 109 pension Schemes and their updates that are covered by the following Acts of Parliament:

- the Overseas Pensions Act 1973,
- the Pensions (Increase) Act 1971 (as amended),
- the UK Police and Firemen Acts 1997, and
- the Hong Kong (Overseas Public Servants) Act 1996

### Change in Member Numbers

The Schemes managed directly by OPD are closed to new members and the number of pensioners falls each year (there are however 5 deferred police pensioners). Table 1 shows the number of pensioners, number of pensions payable and the total number of payments made under these pension obligations during the last three years. These figures are based on the actual position at 31 March each year. Note, the figures in Tables 1 to 4 and all the statistics relate only to pensions administered directly by OPD and do not include the pensions administered by CAB which are set out separately at Table 5.

| <b>Table 1<sup>1</sup></b>         | <b>2020-21</b> | <b>2019-20</b> | <b>2018-19</b> |
|------------------------------------|----------------|----------------|----------------|
| No. of Service Pensioners          | 2,872          | 3,286          | 3,656          |
| No. of Dependants                  | 4,040          | 4,418          | 4,781          |
| Total No. of Pensioners            | 6,912          | 7,704          | 8,437          |
| Total No. of Pensions <sup>2</sup> | 14,024         | 15,725         | 17,283         |
| Total No. of Payments              | 67,533         | 74,542         | 82,024         |

Pensioners are often in receipt of more than one pension, reflecting their service in different territories covered by different individual pension Schemes, however each individual payment they receive will include an element for each relevant pension. The total number of payments cannot be directly related to the number of pensioners at a given time. A pensioner's entitlement can be negated in any payment period due to exchange rate movements<sup>3</sup>, periodic suspensions and death.

<sup>1</sup> The data in Table 1 is not directly comparable with the data in Tables 7 and 8 of the Report of the Actuary on pages 10 and 11. Table 1 reflects the year-end actual figures whereas Tables 7 and 8 relate to 31 December 2017 principal membership data used by the Actuary to calculate the pension liability as at 31 March 2018 which has been rolled forward to 31 March 2021. Tables 7 and 8 also include the additional data as at 30 November 2017 for the Gibraltar Social Insurance Fund transfer.

<sup>2</sup> This excludes Hong Kong pensions as these are paid by the Hong Kong Government, OPD pays top ups and/or safeguard if required. Also see footnote 3.

<sup>3</sup> Where OPD's responsibility is limited to payment of capped pension supplement and/or safeguard, if in any month the current sterling value of the original pension exceeds the amount of the capped supplement and/or safeguard no payment is due. The capped pension supplement and/or safeguard is the entitled financial limits calculated for each individual pensioner.

**Change in Member Numbers (continued)**

Table 2 shows the percentage change in pensioner numbers and payments in the last three years.

| <b>Table 2</b>            | <b>2020-21<br/>% Change</b> | <b>2019-20<br/>% Change</b> | <b>2018-19<br/>% Change</b> |
|---------------------------|-----------------------------|-----------------------------|-----------------------------|
| No. of Service Pensioners | -12.6%                      | -10.1%                      | -10.0%                      |
| No. of Dependants         | -8.6%                       | -7.6%                       | -6.2%                       |
| Total No. of Pensioners   | -10.3%                      | -8.7%                       | -7.9%                       |
| Total No. of Pensions     | -10.8%                      | -9.0%                       | -8.3%                       |
| Total No. of Payments     | -9.4%                       | -9.1%                       | -9.1%                       |

Of the current 6,912 pensioners:

- 40 per cent are male
- 66 per cent live in the UK; the remainder in 69 other countries
- 87 per cent have chosen a monthly payment frequency; 13 per cent quarterly, bi-annually, or annually. Regardless of the frequency, payments are not always due because of exchange rate movements, periodic suspensions and death
- the average age of Hong Kong service and dependent pensioners is 79
- the average age of all other service pensioners is 88 years
- the average age of all other dependent pensioners is 88 years
- the oldest pensioner is 107, and there are 91 other centenarians in receipt of pensions.

Projections of pensioner numbers estimate that the remaining payments relating to existing pensioners will be fully realised by the middle of the century, at which point the Schemes will cease.

**Service Standards**

A key measure of OPD performance is the service it provides to pensioners. Standards are set through a Service Level Agreement (SLA) between DFID, now FCDO, and OPD. The SLA defines the required performance standards and efficiencies, which are subject to regular monitoring and review. OPD's aim is that its service should always be:

- prompt
- efficient
- accurate
- helpful and courteous
- responsive to those with special needs.

Table 3 is performance against service standards. Data is extracted from OPD's computer systems.

| <b>Table 3</b>  | <b>SLA %<br/>Target</b> | <b>2020-21<br/>Achieved %</b> | <b>2019-20<br/>Achieved %</b> |
|---|-------------------------|-------------------------------|-------------------------------|
| Accuracy of initial payment calculations                  | 97.50                   | 99.85                         | 99.79                         |
| Accuracy of initial calculation of new and revised awards | 95.00                   | 100.00                        | 100.00                        |
| Number of new awards put into payment within 2 weeks      | 97.50                   | 97.22                         | 100.00                        |
| Timeliness of payments by due date                        | 99.00                   | 100.00                        | 100.00                        |
| Response to enquiries within 2 weeks of receipt           | 99.00                   | 97.74                         | 100.00                        |
| Response to complaints within 2 weeks of receipt*         | 95.00                   | 100.00                        | 100.00                        |

\*OPD received no complaints during 2020-21 (2019-20: 1) from pensioners or their agents.

**Service Standards (continued)**

The SLA targets in relation to the number of new awards put into payment within two weeks and response to enquiries within two weeks were not met during 2020-21. This was mainly due to Covid-19 restrictions impacting OPD's ability to access physical records and mail received, compounded by availability of key staff/ loss of staff.

OPD measure customer service satisfaction through a questionnaire issued to existing members whose entitlement to pension has recently commenced. During 2020-21 OPD issued 108 questionnaires, of which 48 (44 per cent) were returned (2019-20: 145 issued, 88 (61 per cent) returned). The reduction in returned questionnaires reflects the members' ability to return mail given the Covid-19 pandemic restrictions. Of those returned, the main conclusions were that:

- 73 per cent (2019-20: 70 per cent) of respondents rated OPD's service as excellent, 23 per cent (2019-20: 28 per cent) as good, 2 per cent (2019-20: 2 per cent) as satisfactory and 2 per cent (2019-20: 0 per cent) as poor
- 85 per cent described OPD staff as helpful (2019-20: 77 per cent)
- 92 per cent described OPD staff as efficient (2019-20: 88 per cent).

Questionnaire results are used in reviewing processes and to identify improvements.

**Efficiency**

OPD's main measure of efficiency is the cost of administration for each unit of activity. Targets are set within the SLA. Table 4 below shows performance against SLA target unit costs. Targets are set based on actual costs for the previous year plus inflation of 0.5 per cent.

| <b>Table 4</b> | <b>2020-21<br/>Actual</b> | <b>2020-21<br/>Target Unit Cost</b> | <b>2019-20<br/>Actual</b> |
|----------------|---------------------------|-------------------------------------|---------------------------|
| Per pensioner  | £40.81                    | £37.71                              | £37.52                    |
| Per pension    | £20.12                    | £18.48                              | £18.39                    |
| Per payment    | £4.18                     | £3.90                               | £3.88                     |

Actual unit costs are higher than the SLA targets for 2020-21 due to reducing pensioner numbers which are not reflected in the target costs.

**Former Members of GSIF Administered by CAB**

The pensions of the former members of the GSIF administered by CAB are also closed to new members and the number of pensioners falls each year. The average age of the pensioners is 87 years (2019-20: 87 years). The tables below reflect the change in the numbers over the last 3 years and the actual position at 31 March each year.

Note, the figures in Tables 5 and 6 relate only to pensions administered by CAB.

| <b>Table 5</b>          | <b>2020-21</b> | <b>2019-20</b> | <b>2018-19</b> |
|-------------------------|----------------|----------------|----------------|
| Total No. of Pensioners | 1,469          | 1,729          | 1,985          |
| Total No. of Pensions   | 1,469          | 1,729          | 1,985          |

| <b>Table 6</b>          | <b>2020-21<br/>% Change</b> | <b>2019-20<br/>% Change</b> | <b>2018-19<br/>% Change</b> |
|-------------------------|-----------------------------|-----------------------------|-----------------------------|
| Total No. of Pensioners | -15.0%                      | -12.9%                      | -10.9%                      |
| Total No. of Pensions   | -15.0%                      | -12.9%                      | -10.9%                      |



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**Former Members of GSIF Administered by CAB (continued)**

CAB operates its own service delivery standards. OPD hold quarterly performance reviews with CAB where any errors or delays in payments are noted. None were reported by CAB in 2020-21. An independent verification of CAB payments during 2020-21 was completed by BDO who confirmed pensions were delivered accurately and recorded a minor recommendation for improvement.

CAB was able to maintain service levels and its support for pensioners during Covid-19 due to their existing electronic platforms and through increasing and upgrading their use of digital solutions for the pension payment process (refer to the Governance Statement on page 19).

**Information Assurance**

A large quantity of personal and sensitive data is kept for the Schemes. A governance structure is in place to ensure information security and to manage the associated risks. FCDO, follows ISO/IEC 27001:2013, the international standard for information security management systems and conducts internal reviews and audits against that.

OPD identified no reportable incidents of the loss of any personal data to the Information Commissioner's Office in 2020-21 and the Information Commissioner made no findings against OPD for breach of Data Protection principles. No such incidents were reported in the previous thirteen years.

**Financial Review**

The pension liability at 31 March 2021 was £604.2 million (31 March 2020: £646.9 million).

A full actuarial valuation of the pension liability was carried out as at 31 December 2017 (30 November 2017 in relation to the Gibraltar Social Insurance Fund) and it was assumed that there were no material changes to membership between these dates and 31 March 2018. Interim assessments as at 31 March 2019, 31 March 2020 and 31 March 2021 have also been performed, rolling forward the 31 March 2018 liability by adjusting the liability for updated summary membership information and making allowance for the Gibraltar Social Insurance Fund which transferred in on 1 April 2018. Full actuarial valuations are prepared every four years and the next will be carried out for the 2021-22 Accounts.

Valuation adjustments in 2020-21 decreased the pension liability by £3.8 million (2019-20: £7.6 million increase). The £3.8 million overall decrease consists of:

- *£19.2 million reduction due to an experience gain* - the April 2021 pension increase assumptions adopted to calculate the pension liability as at 31 March 2020 (2.35 per cent for CPI-linked pensions, 3.35 per cent for RPI-linked pensions) were higher than the actual increases (0.5 per cent for CPI-linked pensions, 1.1 per cent for RPI-linked pensions).
- *£15.4 million net increase due to changes in financial assumptions* - the nominal discount rate decreased from 1.80 per cent as at 31 March 2020 to 1.25 per cent as at 31 March 2021 which increased the pension liability. This increase was partially offset by a decrease in the pension liability due to assumed CPI pension increases decreasing from 2.35 per cent as at 31 March 2020 to 2.22 per cent as at 31 March 2021, and RPI pension increases decreasing from 3.35 per cent as at 31 March 2020 to 3.22 per cent until February 2030 then 2.32 per cent thereafter, as at 31 March 2021.

Please also refer to Note 6.

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## Financial Review (continued)

Pensions paid in 2020-21 were £50.1 million (2019-20: £55.7 million) and the interest cost was £11.2 million (2019-20: £18.8 million). The interest cost is a notional charge to reflect the fact that future benefit payments are one year closer to settlement, so should be discounted by one year less. It increases the value of the pension liability. The current year interest cost is determined by applying the nominal discount rate at the end of the previous year to the pension liability at the end of the previous year, with allowance made for movements in the pension liability over the current year. Discount rates are determined by HM Treasury with reference to market yields on high quality corporate bonds. The decrease in the interest cost is primarily due to the decrease in the nominal interest rate used from 2.90 per cent for 2019-20 to 1.80 per cent for 2020-21, in addition to the decrease in the pension liability from £676.2 million as at 31 March 2019 to £646.9 million as at 31 March 2020.

Primarily due to the inclusion of the pension liability, as at 31 March 2021 the Statement of Financial Position shows negative taxpayers' equity of £604.3 million (2019-20: £647.0 million). In common with other public service pension schemes, the future financing of the Schemes' liabilities is to be met by future grants of supply to be approved annually by Parliament. Such approval for amounts required for 2021-22 has already been given. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

The Parliamentary Supply Resource AME Outturn of £11.2 million was 13.8 per cent lower than the Estimate of £13.0 million due to changes in assumptions on which the AME requirement is based. The Net Cash Requirement Outturn of £50.1 million was 8.2 per cent lower than the Estimate of £54.6 million reflecting lower than forecast pension payments, based on actual pensioner numbers.

The administration costs for managing pensions and the cost of audit of these Accounts by the Comptroller and Auditor General are part of FCDO administration expenditure and are included in FCDO's Annual Report and Accounts. In 2020-21 administration costs were £719,072 (2019-20: £533,296) and audit costs £82,000 (2019-20: £39,000).

## Principal Risks and Uncertainties

The key risk which the Schemes face is the continued (unauthorised) payment of pension benefits after a member has died. To mitigate against this risk, the Schemes require all members to complete and return a signed annual declaration confirming proof of life and verifying their identity. The Annual Declaration of Entitlement exercise was suspended in 2020-21 due to Covid-19 issues but has been replaced with an alternative control for ensuring that pensions do not get paid when not due. In future years, this change will be reviewed to reflect changes in the pandemic environment and available alternative controls. Further details on controlling this risk are provided within the Governance Statement.

## DFID/FCDO Management Board

There is no Management Board in place within the Schemes due to the Schemes being closed. Prior to 2 September 2020, where any decisions were required in respect of the Schemes the Management Board of DFID was consulted by the Chief People Officer. With effect from 2 September 2020, the FCDO Management Board took on this responsibility and was consulted by the Financial Controller and Operations Director as appropriate.

The composition of the DFID and FCDO Management Boards during 2020-21 was as follows:

| <b>Members of the DFID Management Board<br/>1 April 2020 - 1 September 2020</b>    | <b>Tenure</b>                      | <b>No. of meetings<br/>attended 1 April<br/>2020 - 1<br/>September 2020</b> |
|--|------------------------------------|---|
| Nick Dyer, Acting Permanent Secretary (Chair)                                      | 1 April 2020 –<br>1 September 2020 | 4/4   |
| Marc Bolland, Lead Non-executive Director  | 1 April 2020 –<br>31 August 2020   | 3/4   |
| Sally Jones-Evans, Non-executive Director  | 1 April 2020 –<br>1 September 2020 | 2/4   |
| Alan Johnson, Non-executive Director   | 1 April 2020 –<br>1 September 2020 | 3/4   |
| Richard Clarke, Director General - Policy,<br>Research and Humanitarian            | 1 April 2020 –<br>1 September 2020 | 3/4   |
| Juliet Chua, Director General - Finance and<br>Corporate Performance               | 1 April 2020 –<br>1 September 2020 | 4/4   |
| Moazzam Malik, Director General - Country<br>Programmes                            | 1 April 2020 –<br>1 September 2020 | 1/4   |
| Rachel Turner, Acting Director General -<br>Economic Development and International | 1 April 2020 –<br>1 September 2020 | 2/4   |
| Melinda Bohannon, Director Strategy  | 1 April 2020 –<br>1 September 2020 | 3/4   |
| Tim Jones, Director Finance, Commercial and<br>Delivery                            | 1 April 2020 –<br>1 September 2020 | 4/4   |
| Ravi Chand, Chief People Officer   | 1 - 30 April 2020                  | 1/1   |
| Helen Mills, Chief People Officer  | 1 May 2020 –<br>1 September 2020   | 3/3   |

**DFID/FCDO Management Board (continued)**

| <b>Members of the FCDO Management Board<br/>2 September 2020 – 31 March 2021</b>  | <b>Tenure</b>                          | <b>No. of meetings<br/>attended 2<br/>September 2020<br/>– 31 March 2021</b> |
|---|--|--|
| Sir Philip Barton, Permanent Under-Secretary (Chair)  | From 2 September 2020                  | 6/6  |
| Sir Tim Barrow, Political Director (Until 18 January 2021, Sir Tim Barrow was based in Brussels and serving as Head of the UK Mission to the European Union. The Political Director role requires frequent, often ad hoc travel, which has an impact on attendance at regular corporate engagements.) | From 2 September 2020                  | 0/6  |
| Juliet Chua, Director General - Finance and Corporate   | From 2 September 2020                  | 6/6  |
| Tom Drew, Director General - Middle East, North Africa, Afghanistan and Pakistan  | From 2 September 2020                  | 4/6  |
| Moazzam Malik, Director General - Africa  | From 2 September 2020                  | 6/6  |
| Vijay Rangarajan, Director General - Americas and Overseas Territories  | From 2 September 2020                  | 6/6  |
| Jenny Bates, Director General - Indo-Pacific  | From 2 September 2020                  | 6/6  |
| Kumar Iyer, Director General - Delivery   | From 2 September 2020                  | 6/6  |
| Nic Hailey, Director General - Transformation   | From 2 September 2020                  | 6/6  |
| Sir Iain MacLeod, Legal Adviser   | From 2 September 2020                  | 6/6  |
| Melanie Robinson, UK Ambassador to Zimbabwe (Overseas Network Representative)   | From 2 September 2020                  | 6/6  |
| Helen Bower-Easton, Director Communications   | From 2 September 2020                  | 6/6  |
| Andrew Sanderson, Financial Controller and Operations Director  | From 2 September 2020                  | 6/6  |
| Tim Jones, Director Strategic Finance   | From 2 September 2020                  | 6/6  |
| Melinda Bohannon, Director Strategy   | From 2 September 2020                  | 6/6  |
| Liane Saunders, (joint) Director Strategy   | 2 September 2020 -<br>12 January 2021  | 3/3  |
| Mervyn Thomas, Chief People Officer   | From 1 February 2021                   | 2/2  |
| Helen Mills, (joint) Chief People Officer (Two meetings were not attended due to exceptional circumstances)   | 2 September 2020 -<br>31 December 2020 | 1/3  |
| Jonathan Sinclair, (joint) Chief People Officer   | 2 September 2020 -<br>26 February 2021 | 5/5  |

**Events After the Reporting Period**

The Foreign, Commonwealth and Development Superannuation Accounts are laid before the Houses of Parliament by HM Treasury. IAS 10 *Events After the Reporting Period* requires the Accounts to disclose the date on which the Accounts are authorised for issue. This is the date on which the Accounts are certified by the Comptroller and Auditor General. Note 11 details any events after the reporting period.

## Further Information

An explanatory booklet "A Guide to Your Pension" is issued to all pensioners. The booklet contains details of the standard of service they can expect to receive from OPD and general information on the administration of their pensions, including dispute resolution procedures. A copy of the Guide and other general information can be obtained from OPD.

Any enquiries about the Overseas Superannuation Accounts can be addressed to:

The Schemes' Manager  
Overseas Pensions Department  
Foreign, Commonwealth and Development Office  
East Kilbride G75 8EA

## Managers and Advisers

|                             |  |
|-----------------------------|--|
| <b>Accounting Officer:</b>  | Sir Philip Barton<br>Accounting Officer for the Overseas Superannuation Schemes<br>Foreign, Commonwealth and Development Office<br>King Charles Street<br>London<br>SW1A 2AH<br>United Kingdom   |
| <b>Managers:</b>            | Overseas Pensions Department<br>Foreign, Commonwealth and Development Office<br>East Kilbride G75 8EA  |
| <b>Actuary:</b>             | Government Actuary's Department, Finlaison House,<br>15-17 Furnival Street, London EC4A 1AB  |
| <b>Bankers:</b>             | Royal Bank of Scotland plc, London Corporate SC, PO Box 39952, 21<br>/ 2 Devonshire Square, London EC2M 4XJ<br><br>Citibank, N A Citigroup Centre, Canada Square, Canary Wharf,<br>London E15 5LB<br><br>National Westminster Bank plc, 2 <sup>nd</sup> Floor, 280 Bishopsgate, London<br>EC2M 4RB |
| <b>Legal Advisers:</b>      | Office of the Solicitor to the Advocate General for Scotland, Victoria<br>Quay, Edinburgh EH6 6QQ  |
| <b>Auditors:</b>            | The Comptroller and Auditor General, 157-197 Buckingham Palace<br>Road, Victoria, London SW1W 9SP  |
| <b>GSIF Administrators:</b> | Crown Agents Bank, Quadrant House, Sutton, Surrey SM2 5AS  |

## Report of the Actuary

### Overseas Superannuation Schemes administered by the Foreign, Commonwealth and Development Office

#### Accounts for the year ended 31 March 2021

#### Introduction

This statement has been prepared by the Government Actuary's Department (GAD) at the request of the Foreign, Commonwealth and Development Office (FCDO). It provides a summary of GAD's assessment of the scheme liability in respect of the Foreign, Commonwealth and Development Office: Overseas Superannuation (Schemes) as at 31 March 2021, and the movement in the scheme liability over the year 2020-21, prepared in accordance with the requirements of Chapter 9 of the 2020-21 version of the Financial Reporting Manual.

The Schemes are defined benefit schemes providing pension and lump sum benefits on retirement, death and resignation. The Schemes were previously known as the Department for International Development Overseas Superannuation and have changed name following the merger of the Department for International Development with the Foreign & Commonwealth Office in September 2020, with no changes to the benefits provided. The Schemes are wholly unfunded. I am not aware of any informal practices operated within the Schemes which lead to a constructive obligation.

The assessment has been carried out by firstly calculating the liability as at 31 March 2018 based on the principal membership data that was provided as at 31 December 2017 as part of a full actuarial valuation carried out for the 2017-18 Accounts. This liability as at 31 March 2018 is then rolled forward to 31 March 2021, allowing for the actual cashflows of the Schemes and reflecting summary membership information at 31 December 2020. The roll forward also allows for the increase in the liability resulting from the Gibraltar Social Insurance Fund that transferred into the Scheme at 1 April 2018. The value of the transfer-in was calculated using the assumptions for the 2017-18 Overseas Superannuation Accounts.

#### Membership Data

Tables 7 and 8 below summarise the principal membership data as at 31 December 2017 used to calculate the liability as at 31 March 2018, which was used to prepare this statement. This combines the data provided as at 31 December 2017 for the 2017-18 Overseas Superannuation Accounts with the additional data as at 30 November 2017 for the Gibraltar Social Insurance Fund transfer. The next full actuarial valuation is scheduled to be carried out for the 2021-22 Accounts and is expected to use data as at 31 December 2021.

The tables report the number of records; some members have more than one record. The pension figures exclude the pension increases awarded in April 2019, 2020 and 2021. Average ages are weighted by pension amount.

**Table 7: Membership data (excluding Hong Kong) by type of member**

| Membership                         | Number of records | Total pension<br>(£000's p.a.) | Average age<br>(years) |
|------------------------------------|-------------------|--------------------------------|------------------------|
| Service pensioners                 | 5,593             | 22,112                         | 88                     |
| Dependant pensioners               | 5,655             | 39,584                         | 88                     |
| <b>Total (excluding Hong Kong)</b> | <b>11,248</b>     | <b>61,696</b>                  | <b>88</b>              |

## Membership Data (continued)

**Table 8: Hong Kong membership data\***

|              | Number of records | SPOS ceiling<br>(£000's p.a.) | SPOS base<br>(£000's p.a.) | Total safeguard<br>(£000's p.a.) | Contingent safeguard<br>(£000's p.a.) | Average age<br>(years) |
|--------------|-------------------|-------------------------------|----------------------------|----------------------------------|---------------------------------------|------------------------|
| <b>Total</b> | <b>1,359</b>      | <b>39,471</b>                 | <b>20,408</b>              | <b>22,332</b>                    | <b>5,471</b>                          | <b>79</b>              |

\*Pension increases are known as the Supplementary Pension for Overseas Service (SPOS). The "SPOS base" pension is the member's pension at retirement converted into Pounds Sterling and the "SPOS ceiling" pension is the SPOS base pension plus pension increases. The "Safeguard" pension acts as an underpin to the SPOS pension and may apply for example if the value of the Hong Kong Dollar falls against the Pound Sterling.

## Methodology

The present value of the liabilities as at 31 March 2021 has been determined using the Projected Unit Credit Method (PUCM) and the demographic and financial assumptions applying as at 31 March 2021. This method has been adapted for the active membership in agreement with FCDO and the auditors in view of the small number of active members. That is, the actuarial liability of the active membership has been valued assuming members retire immediately but allowing for full future service to their normal retirement date. The contribution rate for accruing costs in the year ended 31 March 2021 was nil because of the way the methodology has been adapted for the active membership.

This statement takes into account the benefits normally provided under the Scheme.

## Financial Assumptions

The principal financial assumptions adopted to prepare this statement are shown in Table 9.

**Table 9: Principal financial assumptions**

| Assumption   | 31 March 2021<br>p.a.                                 | 31 March 2020<br>p.a. |
|--|---|-----------------------|
| Nominal discount rate  | 1.25%   | 1.80%                 |
| Rate of increase in pensions in payment (assuming CPI inflation) | 2.22%   | 2.35%                 |
| Real discount rate in excess of CPI pension increases            | (0.95%)   | (0.5%)                |
| Rate of increase in pensions in payment (assuming RPI inflation) | 3.22% until February 2030<br>2.32% from February 2030 | 3.35%                 |
| Expected return on assets  | n/a   | n/a                   |

In assessing pension liabilities as at 31 March 2021, known pension increases up to and including April 2021 have been allowed for, with the assumptions set out in Table 9 above used for the future pension increases.

## Demographic Assumptions

Table 10 summarises the mortality assumptions adopted to prepare this statement, which were derived from the specific experience of the Scheme membership. The table refers to the standard mortality tables prepared by the Continuous Mortality Investigation (part of the Actuarial Profession) known as the 'S2 tables' with the percentage adjustments to those tables derived from scheme experience.

## Demographic Assumptions (continued)

**Table 10: Post-retirement mortality assumptions**

| <b>Baseline mortality</b>              | <b>Standard table</b> | <b>Adjustment</b> |
|--|-----------------------|-------------------|
| Males – retirements in normal health   | S2NMA                 | 102%              |
| Females – retirements in normal health | S2NFA                 | 100%              |

These assumptions in Table 10 above are the same as those adopted for the Accounts as at 31 March 2020.

Mortality improvements are assumed to be in line with the latest 2018-based projections for the United Kingdom published by the ONS in October 2019. This is the same assumption as that used for the 2019-20 Accounts.

The other demographic assumptions for family statistics are unchanged from the 2019-20 Accounts.

## Liabilities

Table 11 summarises the assessed value as at 31 March 2021 of benefits accrued under the Scheme prior to this date based on the data, methodology and assumptions described in the sections 'Membership Data', 'Methodology', 'Financial Assumptions' and 'Demographic Assumptions'. The corresponding figures for the previous year are shown for comparison.

**Table 11: Statement of Financial Position**

|  | <b>31 March 2021</b> | <b>31 March 2020</b> |
|--|----------------------|----------------------|
|  | <b>£ million</b>     | <b>£ million</b>     |
| <b>Total market value of assets</b>      | nil                  | nil                  |
| <b>Value of liabilities</b>              | (604.164)            | (646.901)            |
| <b>Surplus/(Deficit)</b>                 | (604.164)            | (646.901)            |
| <b>of which recoverable by employers</b> | n/a                  | n/a                  |

## Accruing Costs

The cost of benefits accruing in the year ended 31 March 2021 (the Current Service Cost) is nil as a result of the adaptation to the PUCM agreed for the valuation of the active membership.

Past service costs arise when an employer undertakes to provide a different level of benefits than previously promised. I am not aware of any events that have led to a material past service cost over 2020-21.

I am not aware of any events that have led to a material settlement or curtailment gain or loss over 2020-21.



## Sensitivity Analysis

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty I have been asked to indicate the approximate effects on the actuarial liability as at 31 March 2021 of changes to the most significant actuarial assumptions.

The most significant financial assumptions are the nominal discount rate and the pension increases (the real discount rate represents the difference between the nominal discount rate and the assumed rate of pension increases) and the impact of these varies with the different types of pension benefit for which FCDO is responsible.

- Where FCDO is responsible for all of an increasing pension, the key impact comes from the difference between the nominal discount rate and the pension increase assumption.
- Where FCDO is responsible for the entire pension that is fixed in payment, it is the nominal discount rate that affects the value placed on the benefit, as the value is unaffected by changes in the pension increase assumption.
- There are also pensions where FCDO is only responsible for the increases on pensions in payment, the impact depends on the difference between the value of an increasing and non-increasing pension, i.e. the difference between the values in the above two bullet points.

The key demographic assumption is pensioner mortality and we show the impact of assuming members live longer in retirement.

Table 12 shows the indicative effects on the total liability as at 31 March 2021 of changes to these assumptions (rounded to the nearest 0.5%).

**Table 12: Sensitivity to significant assumptions**

| Change in assumption  | Approximate effect on total liability |       |                |
|---|---------------------------------------|-------|----------------|
| <b>Financial assumptions</b>  |                                       |       |                |
| (i) Nominal discount rate*:   | -0.5% p.a.                            | +4.5% | +£27.2 million |
| (ii) Pension increases*:  | +0.5% p.a.                            | +4.5% | +£27.2 million |
| <b>Demographic assumptions</b>                                      |                                       |       |                |
| (iii) Additional 1 year increase in life expectancy at retirement*: |                                       | +5.5% | +£33.2 million |

\* Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability.

## Covid-19 Implications

As with the Accounts last year, the 2020-21 Accounts are being produced when the UK continues to deal with the Covid-19 pandemic. I have considered the potential implications of how this pandemic could impact on the actuarial calculations required for the Accounts.

The assumptions for the discount rate and pension increases are specified by HM Treasury in the PES (2020) 12 Revised, dated 18 December 2020, and remain unchanged for these Accounts. The PES assumptions reflect market conditions at the previous 30 November and are typically not amended for any changes between November and the accounting date.

### **Covid-19 Implications (continued)**

The current population mortality projections make no specific allowance for the impact of Covid-19 or any other pandemics. The starting rates of mortality improvement are based on projections of past trends in UK mortality and the effects of past pandemics will already be reflected in these trends. In general, the effects of pandemics on mortality rates are usually expected to be short term, with rates going back to what they would have been before the pandemic after a year or two, unless the pandemic remains over several years. My view is that it remains too early in the pandemic to determine whether Covid-19 changes the long-term view of life expectancy in the UK. It is therefore not unreasonable to retain the existing mortality assumptions. A death rate from Covid-19 in excess of that already allowed for in the mortality assumptions would emerge as an experience gain over the next year's Accounts.

**Garry Swann FIA**

Actuary

Government Actuary's Department

21 July 2021

## Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Foreign, Commonwealth and Development Office: Overseas Superannuation to prepare for each financial year a statement of Accounts in the form and on the basis set out in the Accounts Direction. The Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Schemes and of their income and expenditure, Statement of Financial Position and cash flows for the financial year.

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

- observe the Accounts Direction issued by 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
- prepare the financial statements on a going concern basis
- confirm that the Accounts as a whole are fair, balanced and understandable and take personal responsibility for the Accounts and the judgements required for determining that they are fair, balanced and understandable.

HM Treasury had appointed the Accounting Officer of the Department for International Development, as Accounting Officer for the Overseas Superannuation Schemes. With effect from 2 September 2020, HM Treasury appointed the Accounting Officer of the Foreign, Commonwealth and Development Office as Accounting Officer for the Overseas Superannuation Schemes. 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 assets of the Schemes are set out in *Managing Public Money* published by HM Treasury.

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

## Governance Statement

### Introduction

As Accounting Officer, I have responsibility for ensuring that an effective corporate governance framework is formed and applied to the Overseas Superannuation Schemes that gives strategic direction and secures effective management of the Schemes and their administrators. This applies to actions carried out by the Foreign, Commonwealth and Development Office's (FCDO's) Overseas Pensions Department (OPD) on behalf of the Schemes. Key components of the governance framework are to ensure the supporting corporate governance systems are designed to manage risks, clarify accountability and deliver operational performance which is efficient and effective.

### Opinion

As Accounting Officer, my opinion is informed by:

- the work FCDO Internal Audit performs relating to OPD in the year under review
- the FCDO Audit and Risk Assurance Committee
- the FCDO Director General Finance and Corporate, who has responsibility for OPD, confirmed through the Director's Statement of Assurance verification
- the FCDO Financial Controller and Operations Director, who is accountable for OPD, confirmed through the annual Director's Annual Consolidated Certificate of Assurance verification
- the handover letter from the Department for International Development's (DFID) Interim Accounting Officer detailing the assurances provided from the existing control framework covering the period prior to 2 September 2020
- the work performed and reported by the National Audit Office (NAO)
- the work performed and reported by BDO Auditors who are commissioned to undertake a specific review on the Gibraltar Social Insurance Fund (GSIF) scheme.

Based on this advice and evidence I am satisfied with the overall standard of corporate governance in place in OPD applied to the Schemes for the year ended 31 March 2021 and up to the approval date of these Accounts.

### Governing Bodies

This Statement describes the governance structure and arrangements that FCDO has put in place in its capacity as administrating authority for the Schemes.

The Minister with responsibility for the Overseas Superannuation Schemes for the financial year ending 31 March 2021 was Lord Ahmad of Wimbledon.

The Scheme Manager of the Overseas Superannuation Schemes was Vince Kelly as Head of OPD to 20 January 2021 followed by Babs Cunningham, the Business and Support Services Manager, who were employees of DFID and then FCDO following the merger.

The Financial Controller and Operations Director of FCDO is accountable to FCDO's Management Board for the work of OPD and for assessing and managing associated risks. OPD's sole responsibility is in relation to serving and fulfilling the requirements of the Schemes, set out within the Service Level Agreement (SLA).

## **Governing Bodies (continued)**

There is no Schemes' Management Board as these are closed Schemes. Decisions which would be sent to a Schemes' Board are sent to the Management Board of FCDO (DFID Management Board prior to 2 September 2020) or the Audit and Risk Assurance Committee as appropriate. One issue relating to the Annual Declaration of Entitlement (ADE) process changing in the Covid-19 pandemic was routed to the Audit and Risk Assurance Committee where the proposed change was approved. Refer to the 'Internal Control' section below.

Details of the FCDO and DFID Management Board members and their respective meeting attendance records are included within the Report of the Managers (refer to pages 7 and 8).

The pensions and related benefits under the Schemes are covered by the Acts of Parliament noted in the Management Commentary (refer to page 2).

## **Compliance with the Corporate Governance Code of Good Practice**

As the governance of the Schemes mirrors that of FCDO, in line with the Corporate Governance Report within FCDO's 2020-21 Annual Report and Accounts, it is considered that the Overseas Superannuation Schemes comply with the 'Corporate Governance in Central Government Departments: Code of Good Practice 2017' with three exceptions. Firstly, the FCDO does not have a Nominations and Governance Committee but it has a Senior Leadership Board, chaired by the Permanent Under Secretary. This carries out a similar role to a Nominations Committee, overseeing the performance, talent and broader aspects of management of the Senior Civil Service within the FCDO. Secondly, junior Ministers are not members of the Supervisory Board, but they attend when relevant items are discussed. Lastly, the requirement for the Supervisory Board's regular agenda to include scrutiny of arm's length bodies is fulfilled through other means, namely via the Management Board's oversight, who will assess compliance with the code in 2021-22.

## **OPD's Performance**

An SLA was in place between DFID, as sponsoring employer to the Schemes, and OPD, who have been appointed to carry out the administration of the Schemes. This has been adopted by the FCDO. It confirms that OPD are responsible for the administration and payment of pensions to the Schemes' members and their dependants. The terms of the agreement also include OPD's responsibilities to the British Government for advice and policy on colonial pension matters.

This SLA was signed by the Scheme Manager and the Accounting Officer. It is subject to regular review to ensure it remains appropriate and effective in governing the work and resources of OPD. This includes consideration of the appropriateness of the content and quality of data used to measure performance.

During 2020-21 whilst OPD maintained business as usual activities, key performance indicators to measure performance showed that targets in relation to the number of new awards put into payment within two weeks and response to enquiries within two weeks were not met. This was mainly due to Covid-19 restrictions impacting OPD's ability to access physical records and mail received, compounded by availability of key staff/ loss of staff. While management are actively taking steps to resolve the resourcing and access issues under their direct control, they are continuing to monitor mail vetting delays caused by the pandemic and encouraging electronic contact where possible.

## **OPD's Performance (continued)**

Details of OPD's effectiveness are reported in the Report of the Managers. OPD's effectiveness is reviewed independently by Assessment Services Ltd, a UKAS accredited body, against the Customer Service Excellence criteria. Customer Service Excellence is a trade mark of the Cabinet Office and is used under licence to demonstrate service delivery competence, identify key areas for improvement and celebrate success. A full reassessment was carried out in 2020-21 and OPD celebrated success by maintaining the highest grading level and gaining one additional compliance plus element where best practices were identified, taking OPD's total compliance plus elements to eleven.

## **Performance of Crown Agents Bank (CAB)**

A new contract is in place between FCDO, as sponsoring employer to the GSIF Scheme, and CAB. This confirms that CAB are responsible for the administration and payment of pensions to the Scheme's members. OPD provides funding for the pensions and the annual review while CAB reports to OPD on all aspects of the Scheme.

The contract is subject to review by FCDO's Commercial Directorate and OPD complete their Strategic Relationship Management Performance Scorecard. This enables the Commercial Directorate to hold contract compliance review meetings directly with CAB.

CAB report on their performance regularly and are reviewed by BDO separately from the annual NAO audit. Performance and relationship are discussed during quarterly reviews with CAB representatives. Refer to the Report of the Managers on page 5 for information on CAB performance.

## **Board's Performance**

The FCDO 2020-21 Board Effectiveness Evaluation found that the FCDO had effectively established a functional Supervisory Board and supporting Boards/Committees (including the Management Board) since its launch in September 2020. There was complete attendance at the FCDO Supervisory Board meetings in 2020-21, and across the FCDO's supporting Boards and Committees, meetings took place in 2020-21 with high levels of attendance. Recommendations were made to further improve its effectiveness which will be actioned in 2021-22. The focus in 2021-22 will be on further developing the role of the Non-Executive Directors and maximising use of the insights and challenge they bring.

There have been no ministerial directions given in 2020-21.

## **Highlights of Management Board Sub-Committees**

FCDO's Management Board sub-committees held meetings throughout 2020-21. Highlights of the relevant Management Board sub-committees can be found within the Corporate Governance Report in FCDO's 2020-21 Annual Report and Accounts. The Schemes' 2020-21 Annual Declaration of Entitlement process was discussed by the Audit and Risk Assurance Committee during the year (refer to 'Internal Control' section below).

## **Risk Management and Internal Control Environment**

The Schemes' assessment of risk and the internal control environment is based on the assessment of the environment applied within OPD and CAB and how this mitigates the principal risks and uncertainties identified which apply to the Schemes.

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## Internal Control

OPD's risk management architecture, as part of FCDO, was fully reviewed in financial year 2017-18 and continues to be strengthened where required to deliver more active and effective management of risks. A key risk around continued entitlement relating to annual proof of life checks had a control change to reflect the difficulties faced by the Covid-19 pandemic. A paper was sent to the Audit and Risk Assurance Committee and approved to apply during the pandemic. Further details are provided in 'The Risk and Control Framework' section below. Management of risk in OPD is supported by the FCDO Management Board's Risk Appetite Statement.

The Scheme Manager works with the Financial Controller and Operations Director, to identify the key risks facing the Schemes and develop controls within OPD to mitigate, prevent and detect weaknesses in controls over these risks. All OPD staff are up to date with the relevant Fraud Awareness training renewed in 2020 and continuing awareness is raised and discussed at OPD Team meetings.

OPD system upgrades have continued during 2020-21 to reduce the risks around system failure. The risk of single points of failure for system support in-house and by consultants will continue to be monitored and training of an internal resource is underway.

CAB upgraded their electronic systems to link their customer online contact using workflows to their pensions database and payments systems, improving their efficiency and reducing the risk of error. CAB used the upgrade as an opportunity to improve the way they prove pensioners are still eligible for payment by developing a method for pensioners to verify their details online using their new facial recognition software or uploading required documents.

As part of the FCDO contract with CAB an external review is commissioned and undertaken annually. BDO Auditors were appointed by CAB to review the adequacy and effectiveness of the processes in place to certify those receiving pension payments and to consider how effective those processes and controls are in managing the risk of payments being made to ineligible individuals. No significant issues were identified. Looking ahead to 2021-22, the FCDO will:

- review the BDO Auditors' conclusions for 2020-21 and work with CAB to continually improve processes and controls
- continue to hold quarterly performance reviews with CAB
- continue to require CAB to commission an independent annual review and specify the areas of focus of the review.

## Capacity to Handle Risk

FCDO's capacity to handle risk, including that of OPD, is set out in the Corporate Governance Report in FCDO's 2020-21 Annual Report and Accounts. This includes the overall responsibility of the Management Board in respect of risk management, and details of the integration of risk management throughout the Department.

## The Risk and Control Framework

FCDO's processes for identifying, evaluating and managing risk are set out in the Corporate Governance Report in FCDO's 2020-21 Annual Report and Accounts. These processes include the identification, evaluation and review of strategic risk by the Management Board and include the risks with potentially the most significant impact on FCDO financially and non-financially. Risks associated with the work of OPD have not been identified among the strategic and policy risks monitored by the Management Board.

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## The Risk and Control Framework (continued)

OPD has a Risk Register which highlights potential areas of risk, the key point of impact and the controls in place. The Risk Register is reviewed monthly by the Scheme Manager and quarterly in Group Operations. Control of risk within OPD is also partly exercised through the setting of performance standards for OPD in the SLA. The SLA defines the required performance standards and efficiencies which are subject to monitoring and review. The pension entitlement and payment authorisation processes have been reviewed and fully mapped. Performance against the SLA is included within the Report of the Managers. The Scheme Manager reviews these results and takes action where appropriate to identify and implement improvement opportunities.

CAB operates a three lines of defence model in line with industry best practice for risk management. Risk management is an integral part of the Pensions Operations team processes. As part of the risk management framework the team undertake risk control self-assessments on identification and assessment of business risks and identification and implementation of appropriate controls. This ensures staff are competent and capable in their roles and the risk management process.

A key risk that the Schemes face is making continued pension payments following the death of a pensioner. An Annual Declaration of Entitlement (ADE) exercise is undertaken annually for OPD administered pensions. This requires all members or their legal representatives to complete and return a signed declaration confirming proof of life, attested by a third party. Due to the Covid-19 pandemic, the risk to our aging population of pensioners was assessed against the requirements for verification, and the usual declaration process was considered too risky for the safety of our pensioners. It was agreed with the Audit and Risk Assurance Committee that the alternative controls of using the Cabinet Office's National Fraud Initiative (NFI) for pensioners with UK National Insurance numbers (refer to below) and requesting ADE returns for only a sample of the remaining OPD administered pension population once Covid-19 restrictions had eased, would be implemented. The NAO also requested a small sample of ADE returns to be issued for OPD administered pensions.

OPD participates in the Cabinet Office's NFI, which aims to detect possible frauds of public monies by matching the information held on individuals on the databases of participating public sector organisations. The NFI is effectively a formal fraud risk assessment process, and the results are used by management to inform an assessment of the Scheme's susceptibility to fraud. The participation in the bi-annual NFI is now an established practice in OPD and had been completed for 2020-21. The NFI report indicated 128 possible deaths of which 22 were new or delayed notifications, which were confirmed and overpayments repaid. The majority of the remaining pensioners had already had their pension suspended or ceased by OPD.

An ADE exercise is undertaken annually for CAB administered pensions to mitigate the risk of payments being issued after the death of a pensioner. It was also agreed with the Audit and Risk Assurance Committee that this would be suspended due to Covid-19, and that as an alternative the new facial recognition technology CAB introduced would be used. As with the OPD administered pensions, the NAO also requested a small sample of ADE returns to be issued.

In addition, where both OPD and CAB identify any correspondence that is undelivered or returned, steps are taken to suspend pension payments until an explanation is provided.

In OPD, consistent compliance with prescribed procedures is promoted and supported through general and OPD specific guidance manuals, training programmes, help desks, and central scrutiny and checks. OPD also has contingency plans in place to respond to threats to key information systems and, where possible, to maintain continuity of operations.



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## The Risk and Control Framework (continued)

OPD, as part of FCDO, follows ISO/IEC 27001:2013, the internationally recognised standard for information security management. This provides considerable assurance on the efficiency of our information security management system, which is utilised by OPD to record information pertaining to the Overseas Superannuation Schemes. FCDO has an Information and Cyber Security Management Group, who manage FCDO's Information Security Management System and regularly report the information risk position to FCDO's Management Board.

FCDO is required to report on data incidents which meet criteria for severity to central government and to the Information Commissioner's Office. OPD had no incidents which met these criteria in 2020-21.

## Review of Effectiveness

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

The Financial Controller and Operations Director has provided me with an annual Consolidated Certificate of Assurance for the directorate, covering identification and management of risk and an assurance on compliance with management and control systems. The certificate of assurance informs my review of OPD systems for performance management and compliance with control systems. This reflects input from the Scheme Manager on the performance of OPD during the year under review, which is provided in the Scheme Manager's annual report.

## Significant Internal Control Issues

The suspension of the ADE exercise due to the Covid-19 pandemic, created a significant internal control issue during 2020-21. Whilst there was an alternative facial recognition control available to Schemes administered by CAB, there was very limited uptake of this option and therefore no assurance obtained from this control. The ADE is a key control to prevent payments to ineligible pensioners and provides assurance to the Accounting Officer over the regularity of both OPD and CAB administered pensions. In consequence, a number of pensioners failed to provide a proof of life declaration and therefore evidence their continuing eligibility to receive pension payments. Payments to all such pensioners have been suspended. The absence of a proof of life declaration meant the FCDO could not prove whether the pensioners continued to be eligible to receive pension payments or not.

The decision to suspend the ADE exercise was an informed decision taken by the FCDO in recognition of the potential health risks to pensioners of requiring them to secure an attested verification of life at a time of worldwide national lockdowns. As the disruption to the normal operation of controls was as a result of actions taken in response to the Covid-19 pandemic, as worldwide restriction ease, the FCDO anticipates being able to strengthen the controls as follows:

### *OPD Administered Pensions*

- The ADE exercise will be reinstated for 2021-22 to the usual timetable with the ADE being issued in April 2022.
- We are exploring how the FCDO could expand participation in the NFI scheme to increase the use of the NFI Mortality screening on a regular basis. This would enhance information on the pension eligibility of UK citizens in the UK and abroad.

## Significant Internal Control Issues (continued)

### *CAB Administered Pensions*

- CAB have already reinstated the ADE exercise on 1 September 2021, offering facial recognition, digital and postal options.
- CAB will also run a further ADE exercise in April 2022 to ensure that the ADE can provide assurance up to 31 March 2022.

## Statement of Outturn Against Parliamentary Supply

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires the Schemes to prepare a Statement of Outturn Against Parliamentary Supply (SoPS) and supporting notes.

The SoPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SoPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated fund), that Parliament gives statutory authority for entities to utilise. The Estimate details supply and is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by their Supply Estimate, called control limits, their Accounts will receive a qualified opinion.

The format of the SoPS mirrors the Supply Estimates, published on gov.uk, to enable comparability between what Parliament approves and the final outturn.

The SoPS contain a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn will not exactly tie to cash spent) and administration.

The supporting notes detail the following: Outturn by Estimate line, providing a more detailed breakdown (note 1); a reconciliation of outturn to net operating expenditure in the Statement of Comprehensive Net Expenditure, to tie the SoPS to the financial statements (note 2); and, a reconciliation of outturn to net cash requirement (note 3).

The SoPS provides a detailed view of financial performance, in a form that is voted on and recognised by Parliament. The financial review, in the Report of the Managers, provides a summarised discussion of outturn against estimate and functions as an introduction to the SoPS disclosures.

## Summary Tables – mirrors part 1 of the Estimates

### Summary Table, 2020-21, all figure presented in £000's

| Type of Spend                         | SoPS Note | Outturn       |           |               | Estimate      |           |               | Outturn vs Estimate, saving/ (excess) |              | Prior Year Outturn Total, 2019-20 |
|---------------------------------------|-----------|---------------|-----------|---------------|---------------|-----------|---------------|---------------------------------------|--------------|-----------------------------------|
|                                       |           | Voted         | Non-Voted | Total         | Voted         | Non-Voted | Total         | Voted                                 | Total        |                                   |
| <b>Departmental Expenditure Limit</b> |           |               |           |               |               |           |               |                                       |              |                                   |
| Resource                              |           | -             | -         | -             | -             | -         | -             | -                                     | -            | -                                 |
| Capital                               |           | -             | -         | -             | -             | -         | -             | -                                     | -            | -                                 |
| <b>Total</b>                          |           | -             | -         | -             | -             | -         | -             | -                                     | -            | -                                 |
| <b>Annually Managed Expenditure</b>   |           |               |           |               |               |           |               |                                       |              |                                   |
| Resource                              | 1         | 11,195        | -         | 11,195        | 13,000        | -         | 13,000        | 1,805                                 | 1,805        | 18,807                            |
| Capital                               |           | -             | -         | -             | -             | -         | -             | -                                     | -            | -                                 |
| <b>Total</b>                          |           | <b>11,195</b> | <b>-</b>  | <b>11,195</b> | <b>13,000</b> | <b>-</b>  | <b>13,000</b> | <b>1,805</b>                          | <b>1,805</b> | <b>18,807</b>                     |
| <b>Total Budget</b>                   |           |               |           |               |               |           |               |                                       |              |                                   |
| Resource                              | 1         | 11,195        | -         | 11,195        | 13,000        | -         | 13,000        | 1,805                                 | 1,805        | 18,807                            |
| Capital                               |           | -             | -         | -             | -             | -         | -             | -                                     | -            | -                                 |
| <b>Total Budget Expenditure</b>       |           | <b>11,195</b> | <b>-</b>  | <b>11,195</b> | <b>13,000</b> | <b>-</b>  | <b>13,000</b> | <b>1,805</b>                          | <b>1,805</b> | <b>18,807</b>                     |
| <b>Non-Budget Expenditure</b>         |           |               |           |               |               |           |               |                                       |              |                                   |
|                                       |           | -             | -         | -             | -             | -         | -             | -                                     | -            | -                                 |
| <b>Total Budget and Non-Budget</b>    |           | <b>11,195</b> | <b>-</b>  | <b>11,195</b> | <b>13,000</b> | <b>-</b>  | <b>13,000</b> | <b>1,805</b>                          | <b>1,805</b> | <b>18,807</b>                     |

Figures in the areas outlined in thick line cover the voted control limits voted by Parliament. Refer to the Supply Estimates guidance manual, available on gov.uk, for detail on the control limits voted by Parliament.

**Net Cash Requirement 2020-21, all figure presented in £000's**

| Item                 | SoPS Note | Outturn | Estimate | Outturn vs Estimate, saving/(excess) | Prior Year Outturn Total, 2019-20 |
|----------------------|-----------|---------|----------|--------------------------------------|-----------------------------------|
| Net Cash Requirement | 3         | 50,084  | 54,600   | 4,516                                | 55,928                            |

**Administration Costs 2020-21, all figure presented in £000's**

| Item                 | SoPS Note | Outturn | Estimate | Outturn vs Estimate, saving/(excess) | Prior Year Outturn Total, 2019-20 |
|----------------------|-----------|---------|----------|--------------------------------------|-----------------------------------|
| Administration Costs | 1         | -       | -        | -                                    | -                                 |

The administration costs for managing pensions and the cost of audit of these Accounts by the Comptroller and Auditor General are part of FCDO administration expenditure and are included in FCDO's Annual Report and Accounts.

## Notes to the Statement of Outturn Against Parliamentary Supply 2020-21, all figures presented in £000's

### SoPS1. Analysis of Resource Outturn by Estimate Line

| Type of Spend<br>(resource)                           | Resource Outturn |        |     |               |        |               |               | Estimate      |           |                         | Outturn<br>vs<br>Estimate,<br>saving/<br>(excess) | Prior<br>Year<br>Outturn<br>Total,<br>2019-20 |
|---|------------------|--------|-----|---------------|--------|---------------|---------------|---------------|-----------|-------------------------|---|---|
|   | Administration   |        |     | Programme     |        |               | Total         | Total         | Virements | Total inc.<br>Virements |   |   |
|   | Gross            | Income | Net | Gross         | Income | Net           |               |               |           |                         |   |   |
| <b>Spending in Annually Managed Expenditure (AME)</b> |                  |        |     |               |        |               |               |               |           |                         |   |   |
| <b>Voted Expenditure</b>                              |                  |        |     |               |        |               |               |               |           |                         |   |   |
| A: Interest on Schemes' liability and other expenses  | -                | -      | -   | 11,195        | -      | 11,195        | 11,195        | 13,000        | -         | 13,000                  | 1,805   | 18,807  |
| <b>Total Voted AME</b>                                | -                | -      | -   | <b>11,195</b> | -      | <b>11,195</b> | <b>11,195</b> | <b>13,000</b> | -         | <b>13,000</b>           | <b>1,805</b>                                      | <b>18,807</b>                                 |
| <b>Total Spending in AME</b>                          | -                | -      | -   | <b>11,195</b> | -      | <b>11,195</b> | <b>11,195</b> | <b>13,000</b> | -         | <b>13,000</b>           | <b>1,805</b>                                      | <b>18,807</b>                                 |
| <b>Total Resource</b>                                 | -                | -      | -   | <b>11,195</b> | -      | <b>11,195</b> | <b>11,195</b> | <b>13,000</b> | -         | <b>13,000</b>           | <b>1,805</b>                                      | <b>18,807</b>                                 |

The total Estimate columns include virements. Virements are the reallocation of provision in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HM Treasury). Further information on virements are provided in the Supply Estimates Manual, available on gov.uk.

The outturn vs estimate column is based on the total including virements. The estimate total before virements have been made is included so that users can tie the estimate back to the Estimates laid before Parliament. There were no virements in 2020-21.

### SoPS2. Reconciliation of Outturn to Net Operating Expenditure

No reconciliation is presented as the total resource outturn of £11,195k in SoPS 1 is the same as the net operating expenditure in the Statement of Comprehensive Net Expenditure (2019-20: £18,807k).

**SoPS3. Reconciliation of Net Resource Outturn to Net Cash Requirement**

| Item   | SoPS Note | Outturn Total | Estimate      | Outturn vs Estimate, saving/ (excess) |
|--|-----------|---------------|---------------|---------------------------------------|
| <b>Total Resource Outturn</b>                                | 1         | 11,195        | 13,000        | 1,805                                 |
| <i>Adjustments to remove non-cash items:</i>                 |           |               |               |                                       |
| Addition to pension liability                                |           | (11,195)      | (13,000)      | (1,805)                               |
| <i>Adjustments to reflect movements in working balances:</i> |           |               |               |                                       |
| Use of pension liability                                     |           | 50,103        | 54,600        | 4,497                                 |
| Decrease in receivables                                      |           | (62)          | -             | 62                                    |
| Decrease in payables   |           | 43            | -             | (43)                                  |
| <b>Total</b>   |           | <b>50,084</b> | <b>54,600</b> | <b>4,516</b>                          |
| <b>Net Cash Requirement</b>                                  |           | <b>50,084</b> | <b>54,600</b> | <b>4,516</b>                          |

As noted in the introduction to the SoPS above, outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement.

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## Parliamentary Accountability Disclosures

### Losses and Special Payments

#### *Losses Statement*

|                        | <b>2020-21</b> | <b>2019-20</b> |
|------------------------|----------------|----------------|
| Total number of losses | 40             | 60             |
| Total value of losses  | £12,436        | £18,184        |

Losses generally relate to overpayments to pensioners who have died. There are no individual cases greater than £300,000.

#### *Special Payments*

|                                  | <b>2020-21</b> | <b>2019-20</b> |
|----------------------------------|----------------|----------------|
| Total number of special payments | 2              | 1              |
| Total value of special payments  | £48,808        | £42,660        |

Special payments are ex-gratia payments. There are no individual cases greater than £300,000.

The Statement of Outturn Against Parliamentary Supply, Notes to the Statement of Outturn Against Parliamentary Supply and Parliamentary Accountability Disclosures are subject to audit.

Sir Philip Barton KCMG OBE  
Accounting Officer for the Overseas Superannuation Schemes

22 November 2021



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# THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

## Opinion on financial statements

I certify that I have audited the financial statements of the Foreign, Commonwealth and Development Office Overseas Superannuation schemes ('the Schemes') for the year ended 31 March 2021 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, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

I have also audited the Statement of Outturn Against Parliamentary Supply and the related notes, and the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Schemes' affairs as at 31 March 2021 and of its net expenditure 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 regularity

In my opinion, except for the effects of the matters described in the basis for the qualified opinion on regularity paragraphs, in all material respects:

- the Statement of Outturn Against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2021 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.

## Basis for qualified opinion on regularity

Note 6 of the accounts shows that benefit payments of £50.1m were made to the Schemes in 2020-21.

To ensure that pensioners remain entitled to receive payment, the Foreign, Commonwealth and Development Office ("FCDO") normally operates an Annual Declaration of Entitlement ("ADE") exercise. Due to the assessed impact of the COVID-19 pandemic on pensioners, the FCDO chose not to operate the ADE exercise in 2020-21. Consequently, the FCDO was unable to provide sufficient evidence that benefit payments were made to those entitled to receive them, and despite undertaking alternative procedures to obtain proof of entitlement, I was unable to obtain sufficient evidence that payments estimated at £1.2m, which represents 2.4% of payments made in year, were supported. I have therefore qualified my opinion on the Schemes' financial statements for 2020-21 with a limitation in scope in relation to the regularity of benefit payments.

My report, which follows on pages 34 to 35, provides further detail of my qualified audit opinion on regularity.

## **Basis for opinions**

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Schemes in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## **Conclusions relating to going concern**

In auditing the financial statements, I have concluded that the Schemes' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Schemes' ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Schemes is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

## **Other Information**

The other information comprises information included in the Accountability Report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Report of the Managers and the Report of the Actuary 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 parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made; 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.

## Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing the Schemes' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Schemes will not continue to be provided in the future.

## Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the Schemes' head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Schemes' policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Schemes' controls relating to the Government Resources and Accounts Act 2000, Supply and Appropriation (Main Estimates) Act 2020 and Managing Public Money.
- discussing among the engagement team and involving relevant internal and external specialists, including those providing pensions expertise, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: posting of unusual journals, bias in management's estimates, and benefit payments made to ineligible individuals;
- obtaining an understanding of the Schemes' framework of authority as well as other legal and regulatory frameworks that the Schemes operate in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Schemes. The key laws and regulations I considered in this context included the Government Resources and Accounts Act 2000, Supply and Appropriation (Main Estimates) Act 2020, Managing Public Money, the Overseas Pensions Act 1973, the Pensions (Increase) Act 1971, the Hong Kong (Overseas Public Servants) Act 1996, the UK Police and Firemen Acts 1997 and other relevant pensions regulations; and
- specific consideration of the design and implementation of the Schemes' processes and controls over confirming eligibility of individuals to receive benefit payments.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- specific consideration of eligibility of individuals to receive benefit payments.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Outturn Against 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.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

**Gareth Davies  
Comptroller and Auditor General**

**25 November 2021**

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

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## Report of the Comptroller and Auditor General to the House of Commons

### Introduction

1. The Foreign, Commonwealth and Development Office Overseas Superannuation schemes (the “Schemes”) report the administration and implementation by the Foreign, Commonwealth and Development Office (the “FCDO”) of the payment of pensions and related benefits to former expatriate colonial civil and public servants and their dependants, including those who served in a civil or military capacity in former British India and the Sudan public service.
2. Pension payments are administered by the FCDO Overseas Pension Department (the “OPD”) for the majority of pensioners, with a residual population of pension payments, relating to beneficiaries and former beneficiaries of the Gibraltar Social Insurance Fund which are administered by the Crown Agents Bank (the “CAB”) on behalf of the FCDO.
3. The outstanding pension liability on 31 March 2021 is £604.2m with benefit payments of £50.1m being made in the 2020-21 financial year.

### The purpose of my report

4. This report explains the basis of my qualification in relation to the regularity opinion on the Schemes 2020-21 financial statements.

#### *The regularity of benefit payments*

5. In performing my audit under the Government Resources and Accounts Act 2000, I am required to obtain sufficient evidence 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.
6. As it is not Parliament’s intention to pay pensioners who are no longer eligible, all payments where ongoing entitlement cannot be confirmed are considered irregular. Irregular payments typically arise due to timing differences between a change in pensioner circumstance and the FCDO being informed so that payments can be stopped, for example, in the event of the death of a pensioner. Without sufficient evidence to confirm there has not been a change in circumstance the FCDO cannot prove ongoing entitlement to benefit payments.
7. I have qualified my opinion because the FCDO has been unable to provide sufficient evidence to prove ongoing entitlement for a material value of benefit payments. As such the scope of my audit has been limited in respect of the regularity of benefit payments.

#### *Regularity requirements*

8. The FCDO must ensure that benefit payments are regular and only made to individuals who are eligible under the pension scheme rules. The key control exercised by management to ensure this is the Annual Declaration of Entitlement exercise (ADE) which detects ineligible payments to pensioners by identifying any change of pensioner circumstances, including whether pensioners have died.
9. In the light of the COVID-19 pandemic restrictions and the age profile of the pensioners, the FCDO took the decision in January 2021 to suspend the ADE process. In the context of national lockdowns worldwide, it was not deemed feasible to require elderly pensioners to physically verify their entitlement whilst protecting their wellbeing. In its place, the FCDO initiated alternative procedures, including use of the National Fraud Initiative data matching, use of facial recognition technology for Gibraltar pensioners, and writing to a sample of the pensioner population not covered by the above once COVID-19 restrictions had eased. In addition to these controls, my

audit procedures also included writing to a further sample of the pensioner population to obtain proof of entitlement.

10. My audit identified a number of payments made to pensioners who were not entitled to pension across both OPD and CAB administered schemes. It also identified a number of payments where the FCDO could not evidence whether the pensioners were still entitled to payment. This again affected both OPD and CAB administered schemes, although the incidence was greater in the CAB administered schemes. I have estimated these payments to be £1.2m, which represents 2.4% of payments made in year, indicating a material level of expenditure in the CAB administered schemes and in total. As the FCDO could not provide evidence that the pensioners continued to be entitled to pension, I consider that this represents a material limitation of scope to my audit in respect of the regularity of benefit payments.

### **Action by the FCDO**

11. The decision to suspend the ADE exercise was an informed decision taken by the FCDO in recognition of the potential health risks to pensioners of requiring them to secure an attested verification of life at a time of worldwide national lockdowns. The suspension of this key control to prevent payments to ineligible pensioners created a control weakness that resulted in the FCDO being unable to provide sufficient evidence of ongoing entitlement to benefit payments. The alternative controls implemented by the FCDO, particularly in the case of CAB administered schemes, were not sufficiently effective to mitigate against the suspension of the ADE and the failure to obtain sufficient proof of life declarations from pensioners.
12. As set out in the governance statement on pages 16 to 22, in response to these circumstances, the FCDO intends to reintroduce the ADE exercise for 2021-22 across both OPD and CAB administered schemes. In my audit of the 2021-22 accounts, I will evaluate the effectiveness of this action in establishing the regularity of pension expenditure.

**Gareth Davies**  
**Comptroller and Auditor General**

25 November 2021

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

## **Section B: Financial Statements**

### **Statement of Comprehensive Net Expenditure**

**for the year to 31 March 2021**

|  | <b>Note</b> | <b>2020-21<br/>£000</b> | <b>2019-20<br/>£000</b> |
|--|-------------|-------------------------|-------------------------|
| <b>Expenditure</b>   |             |                         |                         |
| Interest on Schemes' liability   | 6.2         | (11,195)                | (18,807)                |
| <b>Net expenditure</b>   |             | <u>(11,195)</u>         | <u>(18,807)</u>         |
| <b>Other comprehensive net income/(expenditure)</b>                    |             |                         |                         |
| Pension re-measurements:   |             |                         |                         |
| Loss due to change in financial assumptions                            | 6.3         | (15,370)                | (34,789)                |
| Gain due to change in mortality assumptions                            | 6.3         | -                       | 18,387                  |
| Experience gain arising on Schemes' liability                          | 6.3         | 19,199                  | 8,768                   |
|  |             | <u>3,829</u>            | <u>(7,634)</u>          |
| <b>Total comprehensive net expenditure for the year ended 31 March</b> |             | <u>(7,366)</u>          | <u>(26,441)</u>         |

Notes on pages 40 to 47 form part of these Financial Statements.



## Statement of Financial Position

as at 31 March 2021

|   | Note | 31 March<br>2021<br>£000 | 31 March<br>2020<br>£000 |
|---|------|--------------------------|--------------------------|
| <b>Current assets</b>                                       |      |                          |                          |
| Receivables   | 3    | 400                      | 462                      |
| Cash and cash equivalents                                   | 4    | 317                      | 116                      |
| <b>Total current assets</b>                                 |      | <b>717</b>               | <b>578</b>               |
| <b>Current liabilities</b>                                  |      |                          |                          |
| Payables  | 5.1  | (526)                    | (569)                    |
| Consolidated Fund payable for unused supply                 | 5.2  | (317)                    | (116)                    |
| <b>Total current liabilities</b>                            |      | <b>(843)</b>             | <b>(685)</b>             |
| <b>Net current liabilities, excluding pension liability</b> |      | <b>(126)</b>             | <b>(107)</b>             |
| Pension liability   | 6.2  | (604,164)                | (646,901)                |
| <b>Net liabilities, including pension liability</b>         |      | <b>(604,290)</b>         | <b>(647,008)</b>         |
| <b>Taxpayers' equity</b>                                    |      |                          |                          |
| General fund  |      | (604,290)                | (647,008)                |
|   |      | <b>(604,290)</b>         | <b>(647,008)</b>         |

Sir Philip Barton KCMG OBE  
Accounting Officer for the Overseas Superannuation Schemes

22 November 2021

Notes on pages 40 to 47 form part of these Financial Statements.

## Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2021

|  | Note | General Fund     |                  |
|--|------|------------------|------------------|
|  |      | 2020-21<br>£000  | 2019-20<br>£000  |
| <b>Balance at 1 April</b>                  |      | <b>(647,008)</b> | <b>(676,495)</b> |
| Net Parliamentary funding - drawn down     | 5.2  | 50,285           | 56,030           |
| Net Parliamentary funding - deemed         | 5.2  | 116              | 14               |
| Supply payable adjustment                  | 5.2  | (317)            | (116)            |
| Comprehensive net expenditure for the year |      | (7,366)          | (26,441)         |
| Net change in taxpayers' equity            |      | 42,718           | 29,487           |
| <b>Balance at 31 March</b>                 |      | <b>(604,290)</b> | <b>(647,008)</b> |

Notes on pages 40 to 47 form part of these Financial Statements.

## Statement of Cash Flows

for the year ended 31 March 2021

|   | Note  | 2020-21<br>£000 | 2019-20<br>£000 |
|---|-------|-----------------|-----------------|
| <b>Cash flows from operating activities</b>   |       |                 |                 |
| Net expenditure for the year  |       | (11,195)        | (18,807)        |
| Increase in pension liability   | 6.2   | 11,195          | 18,807          |
| Benefits paid and payable   | 6.2   | (50,103)        | (55,743)        |
| Decrease/(increase) in receivables  | 3     | 62              | (154)           |
| Increase in total payables  | 5.1   | 158             | 71              |
| Less: movements in payables for items not passing through the Statement of Comprehensive Net Expenditure                          |       | (201)           | (102)           |
| <b>Net cash outflow from operating activities</b>   | SoPS3 | <b>(50,084)</b> | <b>(55,928)</b> |
| <b>Cash flows from financing activities</b>   |       |                 |                 |
| From the Consolidated Fund (Supply) – current year  | 5.2   | 50,285          | 56,030          |
| <b>Net financing</b>  |       | <b>50,285</b>   | <b>56,030</b>   |
| <b>Net increase in cash and cash equivalents in the year before adjustment for receipts and payments to the Consolidated Fund</b> |       |                 |                 |
|   |       | <b>201</b>      | <b>102</b>      |
| Payments of amounts due to the Consolidated Fund  |       | -               | -               |
| <b>Net increase in cash and cash equivalents in the year after adjustment for receipts and payments to the Consolidated Fund</b>  |       |                 |                 |
|   | 4     | <b>201</b>      | <b>102</b>      |
| <b>Cash and cash equivalents at the beginning of the year</b>   | 4     | <b>116</b>      | <b>14</b>       |
| <b>Cash and cash equivalents at the end of the year</b>   | 4     | <b>317</b>      | <b>116</b>      |

Notes on pages 40 to 47 form part of these Financial Statements.

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## Notes to the Financial Statements

### For the year ended 31 March 2021

#### 1 Basis of preparation

- 1.1 The financial statements of the Overseas Superannuation Schemes have been prepared in accordance with the Government Resources and Accounts Act 2000 and the relevant provisions of the 2020-21 *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. IAS 19 *Employee Benefits* and IAS 26 *Accounting and Reporting by Retirement Benefit Plans* are of particular relevance to these statements in the context of their application under the FReM.
- 1.2 In addition to the primary statements prepared under IFRS, the FReM also requires the Schemes to prepare an additional statement – a Statement of Outturn Against Parliamentary Supply. This, statement and its supporting notes, show Outturn against Estimate in terms of the net resource requirement and the net cash requirement.
- 1.3 The financial statements of the Overseas Superannuation Schemes show the financial position at the year end and the income and expenditure during the year. The Statement of Financial Position shows the deficit of the Schemes; the Statement of Comprehensive Net Expenditure shows, amongst other things, the movements in the liability analysed between the pension cost and the interest on the Schemes' liability. Further information about the actuarial position of the Schemes is dealt with in the Report of the Actuary, and the Schemes' financial statements should be read in conjunction with that Statement.
- 1.4 The Schemes are mostly non-contributory defined benefit pension schemes, for colonial civil and military officers and their dependants. A fuller description of the Schemes is in the Report of the Managers on pages 1 to 9.
- 1.5 The administration costs of the Overseas Pensions Department (OPD) are part of those of the Foreign, Commonwealth and Development Office (FCDO) and are included in the FCDO 2020-21 Annual Report and Accounts, as is the cost of audit of these Accounts by the Comptroller and Auditor General. The Report of the Managers includes information on administration and efficiency.
- 1.6 In common with other public service pension schemes, the future financing of the Schemes' liabilities is to be met by future grants of supply to be approved annually by Parliament. Such approval for amounts required for 2021-22 has already been given. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

#### 2 Statement of accounting policies

- 2.1 The accounting policies contained in the FReM follow IFRS to the extent that they are meaningful and appropriate in the public sector context.
- 2.2 Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Schemes for the purpose of giving a true and fair view has been selected. The accounting policies adopted have been applied consistently in dealing with items considered material in relation to the Schemes' financial statements.

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## 2 Statement of accounting policies (continued)

- 2.3 Provision is made for liabilities to pay pensions and other benefits in the future. The Schemes' liabilities are measured on an actuarial basis using the projected unit credit method in accordance with IAS 19 *Employee Benefits* and are discounted at the real discount rate in excess of pension increases of -0.95 per cent (2019-20: -0.50 per cent). The discount rate is determined by HM Treasury who track changes in the real yield implied from high quality corporate bond rates.
- 2.4 Pension benefits payable are accounted for as a decrease in the Schemes' liabilities on an accruals basis.
- 2.5 The interest cost is a notional charge to reflect the fact that future benefit payments are one year closer to settlement, so should be discounted by one year less. It increases the value of the Schemes' liabilities and is recognised in the Statement of Comprehensive Net Expenditure. The current year interest cost is based on the nominal discount rate at the end of the previous year which was 1.80 per cent for 2020-21 (2019-20: 2.90 per cent). This is applied to the pension liability at the end of the previous year, with allowance made for movements in the pension liability over the current year.
- 2.6 Full actuarial valuations of the Schemes' liabilities in accordance with IAS 19 *Employee Benefits* are prepared every four years by the Government Actuary's Department. Interim year valuations are performed by rolling forward the previous full actuarial valuation adjusted for updated summary membership information. Actuarial gains and losses from changes in financial and mortality assumptions and events not coinciding with assumptions made for the last valuation (experience gains and losses) are recognised in the Statement of Comprehensive Net Expenditure.
- 2.7 Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* are stated at discounted amounts and the amount reported to Parliament separately noted.
- 2.8 The preparation of these Accounts requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. These assessments are based on historic and other factors that are believed to be reasonable, the results of which form the basis for making judgements. The estimates and underlying assumptions are reviewed on an on-going basis. The key estimates and judgements relate to the valuation of the pension liability as set out in Note 6 below.
- 2.9 The following accounting standards in issue but not yet effective at the reporting date are not applicable as the Schemes have not entered into any such arrangements or transactions:
- *IFRS 16 Leases* – public sector implementation delayed to financial year 2022-23.
  - *IFRS 17 Insurance Contracts* - effective for accounting periods beginning on or after 1 January 2023, there is not yet an implementation date for the public sector.
  - *Amendment to IAS 1 Presentation of Financial Statements* (amendment to classification of some liabilities as current or non-current) - effective for accounting periods beginning on or after 1 January 2023, there is not yet an implementation date for the public sector.

### 3 Receivables – in respect of pensions

#### Analysis by type

|  | 2020-21    | 2019-20    |
|--|------------|------------|
|  | £000       | £000       |
| <b>Amounts falling due within one year</b> |            |            |
| Overpaid pensions                          | 236        | 149        |
| Accrued income                             | 29         | 11         |
| Other receivables                          | 135        | 302        |
| <b>Balance at 31 March</b>                 | <b>400</b> | <b>462</b> |

There are no receivables falling due after more than one year (2019-20: £nil).

### 4 Cash and cash equivalents

|                              | 2020-21    | 2019-20    |
|------------------------------|------------|------------|
|                              | £000       | £000       |
| Balance at 1 April           | 116        | 14         |
| Net changes in cash balances | 201        | 102        |
| <b>Balance at 31 March</b>   | <b>317</b> | <b>116</b> |

The following balances at 31 March were held at:

|                            | 2020-21    | 2019-20    |
|----------------------------|------------|------------|
|                            | £000       | £000       |
| Government Banking Service | 317        | 112        |
| Commercial banks           | -          | 4          |
| <b>Balance at 31 March</b> | <b>317</b> | <b>116</b> |

## 5 Payables – in respect of pensions

### 5.1 Analysis by type

|  | Note | 2020-21<br>£000     | 2019-20<br>£000     |
|--|------|---------------------|---------------------|
| <b>Amounts falling due within one year</b> |      |                     |                     |
| <b>Payables:</b>                           |      |                     |                     |
| HMRC                                       |      | (498)               | (558)               |
| Other payables                             |      | (28)                | (11)                |
|  |      | <u>(526)</u>        | <u>(569)</u>        |
| <b>Consolidated Fund payable:</b>          |      |                     |                     |
| Supply issued and not used                 | 5.2  | <u>(317)</u>        | <u>(116)</u>        |
| <b>Balance at 31 March</b>                 |      | <u><b>(843)</b></u> | <u><b>(685)</b></u> |

There are no payables falling due after more than one year (2019-20: £nil).

### 5.2 Consolidated Fund payable for unused supply

|   | Note  | 2020-21<br>£000     | 2019-20<br>£000     |
|---|-------|---------------------|---------------------|
| Supply drawn down                                 |       | (50,285)            | (56,030)            |
| "Deemed" supply (retained from the previous year) |       | (116)               | (14)                |
|   |       | <u>(50,401)</u>     | <u>(56,044)</u>     |
| Net cash requirement                              | SoPS3 | 50,084              | 55,928              |
| <b>Supply payable</b>                             |       | <u><b>(317)</b></u> | <u><b>(116)</b></u> |

## 6 Pension liability

### 6.1 Assumptions underpinning the Schemes' liability

The Schemes included in these financial statements are unfunded defined benefit schemes. The most recent full actuarial valuation was performed as at 31 December 2017 (30 November 2017 in relation to the Gibraltar Social Insurance Fund) and it was assumed that there were no material changes to membership between these dates and 31 March 2018. Interim assessments as at 31 March 2019, 31 March 2020 and 31 March 2021 have also been performed, rolling forward the 31 March 2018 liability by adjusting the liability for updated summary membership information and making allowance for the Gibraltar Social Insurance Fund which transferred in on 1 April 2018. The Report of the Actuary on pages 10 to 14 sets out the scope, methodology and results of the work the actuary has carried out.

## 6 Pension liability (continued)

### 6.1 Assumptions underpinning the Schemes' liability (continued)

The Schemes' Manager together with the actuary has signed a Memorandum of Understanding that identifies, as far as practicable, the range of information that the Schemes' Manager should make available to the actuary in order to meet the expected requirements of the Schemes' auditor. This information includes, but is not limited to, details of:

- Schemes' membership data, including age and gender profiles
- The benefit payable, including the member's pension and any spouse's pension
- The Schemes' income and expenditure
- Following consultation with the actuary, the key assumptions that should be used to value the Schemes' liabilities, ensuring that the assumptions are mutually compatible and reflect a best estimate of future experience.

The key financial assumptions used by the actuary were:

|  | <b>At 31<br/>March<br/>2021</b> | <b>At 31<br/>March<br/>2020</b> | <b>At 31<br/>March<br/>2019</b> | <b>At 31<br/>March<br/>2018</b> | <b>At 31<br/>March<br/>2017</b> |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Rate of increase in salaries (%)                       | n/a                             | n/a                             | n/a                             | n/a                             | n/a                             |
| Rate of increase in pensions increases - CPI (%)       | 2.22                            | 2.35                            | 2.60                            | 2.45                            | 2.55                            |
| Rate of increase in pensions increases - RPI (%)       |                                 |                                 |                                 |                                 |                                 |
| - until February 2030                                  | 3.22                            | 3.35                            | 3.60                            | 3.45                            | 3.55                            |
| - from February 2030                                   | 2.32                            |                                 |                                 |                                 |                                 |
| Real discount rate* in excess of pension increases (%) | -0.95                           | -0.50                           | 0.29                            | 0.10                            | 0.24                            |
| Nominal discount rate* (%)                             | 1.25                            | 1.80                            | 2.90                            | 2.55                            | 2.80                            |
| Expected return on assets                              | n/a                             | n/a                             | n/a                             | n/a                             | n/a                             |

\* Discount rates are determined by HM Treasury with reference to market yields on high quality corporate bonds.

Pension scheme liabilities accrue over employees' periods of service and are discharged over the period of retirement and, where applicable, the period for which a spouse or eligible partner survives the pensioner. In valuing the Schemes' liability, the actuary must estimate the impact of several inherently uncertain variables into the future. These variables include not only the key financial assumptions noted in the table above, but also the changes that will occur in the future in the mortality rate.



## 6 Pension liability (continued)

### 6.1 Assumptions underpinning the Schemes' liability (continued)

Current baseline mortality rates have been assumed to be in line with the S2 mortality tables prepared by the Continuous Mortality Investigation (part of the Actuarial Profession), with the percentage adjustments to those tables derived from Schemes' experience:

Males - S2NMA, 102%  
Females - S2NFA, 100%

These rates are assumed to improve in the future in line with the latest central projections for population mortality published by the Office for National Statistics (2020-21: 2018-based projections, 2019-20: 2018-based projections). No adjustments to mortality rates have been deemed necessary as a result of Covid-19. This is discussed further in the Report of the Actuary on pages 13 and 14.

These key assumptions are inherently uncertain, since it is impossible to predict with any accuracy future changes in the rate of inflation, longevity or the return on corporate bonds. The actuary uses professional expertise in arriving at a view of the most appropriate rates to use in the valuation of the Schemes' liabilities. However, the Schemes' Manager acknowledges that the valuation reported in these Accounts is not certain, since a change in any one of these assumptions will either increase or reduce the liability. In reality, the complexity and range of assumptions underlying the calculation of the Schemes' liabilities are such that a change in one assumption is likely to have a knock-on effect on other assumptions. A sensitivity analysis for each significant assumption as at 31 March 2021 is included in the Report of the Actuary on page 13.

In the opinion of the Schemes' Manager, the actuary has used key assumptions that are the most appropriate for the Schemes in the light of current knowledge and in accordance with IAS 19 *Employee Benefits*.

The net movement in future liability resulting from changes in financial and mortality assumptions and experience gains (gains due to events not coinciding with assumptions made for the last valuation) is disclosed in Note 6.3. At 31 March 2021, valuation adjustments decreased the pension liability by £3.8 million (2019-20: £7.6 million increase). The 2020-21 decrease was a result of a £19.2 million experience gain due to pension increase being lower than expected, offset by a loss of £15.4m as a result of changes in financial assumptions. The 2019-20 increase was a result of a £34.8 million loss due to changes in financial assumptions, offset by a £18.4 million gain from changes in projected improvements in mortality and experience gains of £8.8 million from pension increases being lower than expected.

The pension liability also includes an estimate for contingent spouses' pensions.

### 6.2 Analysis of movements in the Schemes' liability

|                                       | 2020-21          | 2019-20          |
|---------------------------------------|------------------|------------------|
| Note                                  | £000             | £000             |
| <b>Schemes' liability at 1 April</b>  | <b>(646,901)</b> | <b>(676,203)</b> |
| Interest on Schemes' liability        | (11,195)         | (18,807)         |
| Benefits payable                      | 50,103           | 55,743           |
| Actuarial gain/(loss)                 | 6.3 3,829        | (7,634)          |
| <b>Schemes' liability at 31 March</b> | <b>(604,164)</b> | <b>(646,901)</b> |

## 6 Pension liability (continued)

### 6.3 Analysis of actuarial gain/(loss)

|   | 2020-21<br>£000 | 2019-20<br>£000 |
|---|-----------------|-----------------|
| Experience gain arising on Schemes' liability (3.2% of year end liability; 2019-20: 1.4% of year end liability) | 19,199          | 8,768           |
| Gain due to change in mortality assumptions   | -               | 18,387          |
| Loss due to change in financial assumptions   | (15,370)        | (34,789)        |
| <b>Total actuarial gain/(loss) at 31 March</b>  | <b>3,829</b>    | <b>(7,634)</b>  |

### 6.4 History of experience gains/(losses)

|  | 2021   | 2020    | 2019   | 2018   | 2017     |
|--|--------|---------|--------|--------|----------|
| Experience gains/(losses) on the Schemes' liability                  |        |         |        |        |          |
| Amount   | £19.2m | £8.8m   | £45.2m | £53.9m | (£15.7m) |
| Percentage of the present value of the Schemes' liability            | 3.2%   | 1.4%    | 6.7%   | 7.3%   | -1.8%    |
| Total amount recognised in Statement of Changes in Taxpayers' Equity |        |         |        |        |          |
| Amount   | £3.8m  | (£7.6m) | £54.1m | £98.2m | (£89.2m) |
| Percentage of the present value of the Schemes' liability            | 0.6%   | -1.2%   | 8.0%   | 13.3%  | -10.2%   |

## 7 Third party arrangement

|                                    | 2020-21<br>£000 | 2019-20<br>£000 |
|------------------------------------|-----------------|-----------------|
| <b>Balance held as at 31 March</b> | <b>20</b>       | <b>20</b>       |

The balance held by OPD for third parties is funding for the cost of pensions in relation to the Kenya Asian Officers' Family Pension Fund, administered by Crown Agents Bank, and the Pakistan High Commission.

The pension liability associated with the Kenya Asian Officers' Family Pension Fund is included in the pension liability balance in these Accounts. Although the Schemes are liable to pay the pensions, the Kenya Asian Officers' Family Pensions Fund reimburses the Schemes with the amounts paid.

OPD acts solely as a paying agent for the Pakistan High Commission, holding no liability for these pensions.

During 2020-21, OPD paid pensions totalling £162,000 (2019-20: £172,000) in relation to the Kenya Asian Officers' Family Pension Fund and the Pakistan High Commission.

## 8 Financial instruments

As the cash requirements of the Schemes 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 Schemes of a similar size. Some credit risk exists in relation to receivables, otherwise the Schemes are exposed to little credit, liquidity or market risk.

The carrying amounts of financial instruments as at 31 March were as follows:

|   | Note | 2020-21<br>£000 | 2019-20<br>£000 |
|---|------|-----------------|-----------------|
| <b>Financial assets</b>                 |      |                 |                 |
| Receivables                             | 3    | 400             | 462             |
| Cash and cash equivalents               | 4    | 317             | 116             |
|   |      | <b>717</b>      | <b>578</b>      |
| <b>Financial liabilities</b>            |      |                 |                 |
| Financial liabilities at amortised cost | 5.1  | (843)           | (685)           |
|   |      | <b>(843)</b>    | <b>(685)</b>    |

## 9 Contingent liabilities

A contingent liability of £73.0 million (2019-20: £71.8 million) exists primarily relating to the Hong Kong (Overseas Public Servants) Act 1996, Sterling Safeguard Scheme for value of public service pensions. The safeguard is the amount by which a member's safeguard pension exceeds the UK base pension plus pension increases in relation to the Supplementary Pension for Overseas Service (SPOS). The member's safeguard increases in line with UK inflation. If the Hong Kong pension ceased (either because of default by the government of the Hong Kong Special Administrative Region or because of a fall in the value of the Hong Kong dollar), then FCDO would be responsible for paying the full safeguard pension or the SPOS pension, whichever is greater. This is recognised as a contingent liability (net of the SPOS and the safeguard liability already recognised in the pension liability) and is valued assuming that members' Hong Kong pensions ceased on 1 April 2021.

## 10 Related party transactions

The administration costs for managing pensions and the cost of audit of these Accounts by the Comptroller and Auditor General are part of FCDO administration expenditure and are included in FCDO's Annual Report and Accounts. In 2020-21 administration costs were £719,072 (2019-20: £533,296) and audit costs £82,000 (2019-20: £39,000).

No other transactions with the Schemes have been undertaken by the Manager of the Schemes, key managerial staff or other related parties during the year.

## 11 Events after the reporting period

In accordance with the requirements of IAS 10 *Events After the Reporting Period*, events after the reporting period are considered up to the date on which the Accounting Officer authorises the Accounts for issue. The Accounting Officer authorised these financial statements for issue on the date of the Certificate and Report of the Comptroller and Auditor General.

No non-adjusting or adjusting events after the reporting date have been identified.

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## Appendices

### **Appendix A: List of pension Schemes and their updates**

These Accounts relate to 109 pension Schemes and their updates:

1. THE ANTIGUA OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1985
2. THE BARBADOS PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1985
3. THE BELIZE PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1982
4. THE BOTSWANA PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1976
5. THE BURMA PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1974
6. THE CYPRUS PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1979
7. THE DOMINICA PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1975
8. THE EAST AFRICAN COMMUNITY PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1979 - 82
9. THE FIJI PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1975
10. THE GAMBIA PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1974
11. THE GHANA PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1976
12. THE GILBERT ISLANDS PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1976
13. THE GRENADA PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1975
14. THE GUYANA PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1978
15. THE INDIA PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1986
16. THE JAMAICA PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1976
17. THE KENYA PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1977
18. THE LESOTHO PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1975
19. THE MALAWI PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1975
20. THE MALAYSIA PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1979
21. THE MALTA PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1976
22. THE MAURITIUS PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1975
23. THE NIGERIA PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1979
24. THE PAKISTAN PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1986
25. THE SEYCHELLES PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1976
26. THE SIERRA LEONE PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1976
27. THE SINGAPORE PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1977
28. THE SOLOMON ISLANDS PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1976
29. THE SRI LANKA PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1979
30. THE ST CHRISTOPHER, NEVIS AND ANGUILLA PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1975
31. THE ST LUCIA PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1975
32. THE ST VINCENT PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1975
33. THE SUDAN PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1973
34. THE SWAZILAND PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1975
35. THE TANZANIA PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1976
36. THE TRINIDAD & TOBAGO PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1986
37. THE UGANDA PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1985
38. THE ZAMBIA PUBLIC OFFICERS' PENSIONS (UNITED KINGDOM) SCHEME 1985
39. THE COLONIAL SERVICE PENSIONS ADDITION FOR WAR SERVICE (UNITED KINGDOM) SCHEME 1989
40. THE OVERSEAS SERVICE (ALLOCATION OF PENSION) (AMENDMENT) SCHEME 1991

41. THE BARBADOS PUBLIC OFFICERS' WIDOWS' AND ORPHANS' PENSIONS (UNITED KINGDOM) SCHEME 1985
42. THE BELIZE PUBLIC OFFICERS' WIDOWS' AND ORPHANS' PENSIONS (UNITED KINGDOM) SCHEME 1982
43. THE JOINT (BOTSWANA, LESOTHO AND SWAZILAND) PUBLIC OFFICERS' WIDOWS' AND ORPHANS' PENSIONS DEFUNDED (UNITED KINGDOM) SCHEME 1986
44. THE CYPRUS PUBLIC OFFICERS' WIDOWS' AND ORPHANS' PENSIONS (UNITED KINGDOM) SCHEME 1979
45. THE EAST AFRICAN COMMUNITY (EAST AFRICAN SCHEME) PUBLIC OFFICERS' WIDOWS' AND ORPHANS' PENSIONS (UNITED KINGDOM) SCHEME 1979
46. THE EAST AFRICAN COMMUNITY (RAILWAYS & HARBOURS CORPORATION) PUBLIC OFFICERS' WIDOWS' AND ORPHANS' PENSIONS (UNITED KINGDOM) SCHEME 1979
47. THE FIJI PUBLIC OFFICERS' WIDOWS' AND ORPHANS' PENSIONS (UNITED KINGDOM) SCHEME 1975
48. THE GAMBIA PUBLIC OFFICERS' WIDOWS' AND ORPHANS' PENSIONS (UNITED KINGDOM) SCHEME 1974
49. THE GHANA PUBLIC OFFICERS' WIDOWS' AND ORPHANS' PENSIONS (DEFUNDED) (UNITED KINGDOM) SCHEME 1986
50. THE GUYANA PUBLIC OFFICERS' WIDOWS' AND ORPHANS' (UNITED KINGDOM) SCHEME 1978
51. THE JAMAICA PUBLIC OFFICERS' WIDOWS' AND ORPHANS' PENSIONS (UNITED KINGDOM) SCHEME 1976
52. THE KENYA ASIATIC PUBLIC OFFICERS' WIDOWS' AND ORPHANS' (UNITED KINGDOM) SCHEME 1977
53. THE KENYA PUBLIC OFFICERS' WIDOWS' AND ORPHANS' PENSIONS (DEFUNDED) (UNITED KINGDOM) SCHEME 1990
54. THE MALAWI PUBLIC OFFICERS' WIDOWS' AND ORPHANS' PENSIONS (UNITED KINGDOM) SCHEME 1975
55. THE MALAYSIA (PENINSULAR MALAYSIA) PUBLIC OFFICERS' WIDOWS' AND ORPHANS' PENSIONS (UNITED KINGDOM) SCHEME 1979
56. THE MALAYSIA (SABAH) (BRITISH NORTH BORNEO COMPANY) PUBLIC OFFICERS' WIDOWS' AND ORPHANS' PENSIONS (UNITED KINGDOM) SCHEME 1979
57. THE MALAYSIA (SABAH) PUBLIC OFFICERS' WIDOWS' AND ORPHANS' PENSIONS (DEFUNDED) (UNITED KINGDOM) SCHEME 1986
58. THE MALAYSIA (SARAWAK) PUBLIC OFFICERS' WIDOWS' AND ORPHANS' PENSIONS (DEFUNDED) (UNITED KINGDOM) SCHEME 1986
59. THE MALTA PUBLIC OFFICERS' WIDOWS' AND ORPHANS' PENSIONS (UNITED KINGDOM) SCHEME 1976
60. THE MAURITIUS PUBLIC OFFICERS' WIDOWS' AND ORPHANS' PENSIONS (UNITED KINGDOM) SCHEME 1975
61. THE NIGERIA PUBLIC OFFICERS' WIDOWS' AND ORPHANS' PENSIONS (UNITED KINGDOM) SCHEME 1979
62. THE SEYCHELLES PUBLIC OFFICERS WIDOWS' AND ORPHANS' PENSIONS (DEFUNDED) (UNITED KINGDOM) SCHEME 1986
63. THE SIERRA LEONE PUBLIC OFFICERS' WIDOWS' AND ORPHANS' (DEFUNDED) (UNITED KINGDOM) SCHEME 1986
64. THE SINGAPORE PUBLIC OFFICERS' WIDOWS' AND ORPHANS' PENSIONS (UNITED KINGDOM) SCHEME 1977
65. THE SRI LANKA PUBLIC OFFICERS' WIDOWS' AND ORPHANS' PENSIONS (UNITED KINGDOM) SCHEME 1979
66. THE TANZANIA (TANGANYIKA) PUBLIC OFFICERS' WIDOWS' AND ORPHANS' PENSIONS (UNITED KINGDOM) SCHEME 1976

67. THE TANZANIA (ZANZIBAR ASIATIC OFFICERS)) PUBLIC OFFICERS' WIDOWS' AND ORPHANS' PENSIONS (UNITED KINGDOM) SCHEME 1976
68. THE TANZANIA (ZANZIBAR) PUBLIC OFFICERS' WIDOWS' AND ORPHANS' PENSIONS (UNITED KINGDOM) SCHEME 1976
69. THE TRINIDAD AND TOBAGO PUBLIC OFFICERS' WIDOWS' AND ORPHANS' PENSIONS (UNITED KINGDOM) SCHEME 1986
70. THE UGANDA (EUROPEAN OFFICERS) PUBLIC OFFICERS' WIDOWS' AND ORPHANS' PENSIONS (UNITED KINGDOM) SCHEME 1985
71. THE ZAMBIA PUBLIC OFFICERS' WIDOWS' AND ORPHANS' PENSIONS (DEFUNDED) (UNITED KINGDOM) SCHEME 1985
72. THE ZAMBIA PUBLIC OFFICERS' WIDOWS' AND ORPHANS' PENSIONS (UNITED KINGDOM) SCHEME 1985
73. THE ZAMBIA TRANSFERRED FEDERAL OFFICERS' (DEPENDANTS) PENSIONS (UNITED KINGDOM) SCHEME 1985
74. THE BARBADOS PUBLIC OFFICERS' WIDOWS' AND CHILDREN'S PENSIONS (UNITED KINGDOM) SCHEME 1986
75. THE MAURITIUS PUBLIC OFFICERS' WIDOWS' AND CHILDREN'S PENSIONS (UNITED KINGDOM) SCHEME 1975
76. THE SEYCHELLES PUBLIC OFFICERS' WIDOWS' AND CHILDREN'S PENSIONS (UNITED KINGDOM) SCHEME 1976
77. THE OVERSEAS SERVICE PENSIONS SCHEME 1985
78. THE INDIAN FAMILY PENSIONS (TRANSFERRED) (UNITED KINGDOM) SCHEME 1985
79. THE GOVERNORS PENSIONS SCHEME 1979
80. THE OVERSEAS SUPERANNUATION (DEFUNDED) SCHEME 1991
81. SECTION 4 OF THE ADEN, PERIM AND KURIA AURIA ISLAND ACT 1967 (THE ADEN WIDOWS' AND ORPHANS' PENSIONS (UNITED KINGDOM) SCHEME
82. SECTION 5 OF THE SUPERANNUATION (MISCELLANEOUS PROVISIONS ACT 1967 (PALESTINE PENSIONS)
83. THE PENSIONS (INDIA, PAKISTAN AND BURMA) ACT 1955 (INDIA CIVIL AND MILITARY PENSIONS ONLY)
84. THE CENTRAL OFFICE OF THE OVERSEAS AUDIT DEPARTMENT
85. THE GOVERNORS PENSIONS ACT 1957
86. SECTIONS 2 AND 4 OF THE OVERSEAS PENSIONS ACT 1958 (NIGERIAN SPECIAL LIST A AND B OFFICERS OF HMOCS)
87. THE POLICE PENSION SCHEME 1987
88. THE POLICE PENSION SCHEME ('OLD CASES') (APPLIES TO POLICE OFFICERS WHO LEFT ON OR BEFORE MARCH 1973)
89. THE FIREMEN'S PENSION SCHEME 1992
90. THE OVERSEAS SERVICE (PENSION SUPPLEMENT) REGULATIONS 1995
91. THE INCREASE OF PENSIONS (INDIA, PAKISTAN AND BURMA) REGULATIONS 1972
92. THE INCREASE OF PENSIONS (OVERSEAS SERVICE PENSIONS (SCHEME AND FUND)) REGULATIONS 1973
93. ADEN LOAN ADVANCE SCHEME
94. BURMA LOAN ADVANCE SCHEME
95. EAST AFRICAN COMMUNITY LOAN ADVANCE SCHEME
96. GUYANA LOAN ADVANCE SCHEME
97. SOMALI LOAN ADVANCE SCHEME
98. TANZANIA LOAN ADVANCE SCHEME
99. ZANZIBAR LOAN ADVANCE SCHEME
100. THE NAVAL, MILITARY AND AIR FORCES ETC (DISABLEMENT AND DEATH) SERVICE PENSIONS ORDER 1983, AS AMENDED (FOR FORMER BRITISH INDIA ARMED FORCES PERSONNEL AND THEIR DEPENDANTS)

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- 101. THE PERSONAL INJURY CIVILIAN SCHEME
  - 102. COTTON RESEARCH CORPORATION
  - 103. HONG KONG PENSION SCHEME
  - 104. EX-GRATIA AWARDS ON TERMS ANALOGOUS TO THE DSS PICs SCHEME
  - 105. ADDITIONAL PAYMENTS TO SCHEMES DUE AS BENEFITS FROM WAR SERVICE CREDIT PENSION SCHEME
  - 106. ADDITIONAL PAYMENTS TO SCHEMES DUE AS BENEFITS FROM ALLOCATION OF PENSION SCHEME
  - 107. KENYA AOFPF (FUND HELD BY CAIB ON BEHALF OF GOVERNMENT OF KENYA)
  - 108. GIBRALTAR SOCIAL INSURANCE FUND
  - 109. PENSION INCREASE ELEMENT SCHEMES WHERE OVERSEAS TERRITORIES PAY LEVEL PENSION:

|                        |           |   |
|------------------------|-----------|---|
| BAHAMAS                | BARBADOS  | BERMUDA                                 |
| BRITISH VIRGIN ISLANDS | BRUNEI    | CAYMAN ISLANDS                          |
| DOMINICA               | EGYPT     | FALKLAND ISLANDS                        |
| FIJI                   | GAMBIA    | GIBRALTAR                               |
| GRENADA                | GUYANA    | JAMAICA                                 |
| KENYA                  | MALAYSIA  | MAURITIUS                               |
| MONTSERRAT             | NIGERIA   | ST HELENA                               |
| SEYCHELLES             | SINGAPORE | SOMALIA                                 |
| SOUTH GEORGIA          | SRI LANKA | TRINIDAD AND TOBAGO                     |
| TURKS AND CAICOS       | TONGA     | WEST INDIES FEDERATION                  |
| UGANDA                 | ZAMBIA    | FEDERATION OF RHODESIA<br>AND NYASALAND |

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