Department for International Development

Overseas Superannuation Accounts 2011-12

Accounts presented to the House of Commons pursuant to Section 6(4) of the Government Resources and Accounts Act 2000

HC 34 LONDON: The Stationery Office Price: £10.75

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(For the year ended 31 March 2012)

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Ordered by the House of Commons to be printed on 25 June 2012

HC 34 LONDON: The Stationery Office Price: £10.75

Any enquiries regarding this publication should be sent to us at enquiry@dfid.gov.uk

This publication is available for download at www.official-documents.gov.uk

ISBN: 9780102977547

Printed in the UK by The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office

ID 2488825 06/12

Printed on paper containing 75% recycled fibre content minimum.

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Introduction

These accounts are a scheme statement for Overseas Superannuation Schemes payments, made on its behalf by the Department for International Development (DFID) on behalf of the Schemes. The financial statements have been prepared in accordance with the relevant provisions of the 2011-12 *Government Financial Reporting Manual* (FReM).

DFID'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. OPD is also responsible for the formulation of the British Government's policy on overseas pensions and UK pension increase supplements.

All payments are treated as Annually Managed Expenditure (AME). AME is expenditure which cannot easily be predicted and can be difficult to control.

The Minister with responsibility for pensions is the Parliamentary Under Secretary of State for International Development, Stephen O'Brien MP. The Scheme Manager of the Overseas Superannuation Schemes is Peter Brough, who is an empolyee of DFID and in this capacity is responsible for the operations of OPD as Head of Department.

OPD produces an Annual Report of its business at the end of June each year. This is available via DFID's website, www.dfid.gov.uk.

Management Commentary

The activities reported in these accounts mainly derive from two policy initiatives by the British Government: a 1962 agreement to supplement the pensions 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, are financed from capital sums which were paid over to the British Government by 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 funded scheme.

Pensions and related benefits included in these statements are paid in sterling from 106 pension schemes that have been set up under the following Acts of Parliament:

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

All Schemes are non-contributory apart from the Indian Military Widows' and Orphans' Scheme, which still receives contributions from its members. There are now 17 officers with a registered interest for a potential 22 beneficiaries. These contributions are classified as consolidated fund extra receipts (CFER) and are therefore surrendered to HM Treasury. These contributions are very small and amounted to £129.38 in 2011-12 (£234.14 2010-11).

Change in member numbers

The Schemes managed by OPD are all closed to new members; the number of pensioners falls each year.

Table 1 below shows the number of pensioners and pensions and the total number of payments made during the last three years. These figures are based on information at 31 March.

Table 1

	2011-12	**2010-11**	**2009-10**
No. of Service Pensioners	7,099	7,711	8,351
No. of Dependants	7,339	7,645	7,946
Total No. of Pensioners [1]	14,438	15,356	16,297
Total No. of Pensions	30,345	32,363	34,456
Total No. of Payments	155,547	164,752	175,903

Pensioners are often in receipt of more than one pension, reflecting their service in different territories covered by different individual pension schemes. For example, one recently deceased pensioner had thirteen individual colonial pensions. However, two or three is more usual.

Pensions are most commonly paid on a monthly basis, although a significant number of pensioners do choose to receive their payments on a quarterly, bi-annual or annual basis.

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

Table 2

	2011-12 % Change	**2010-11 % Change**	**2009-10 % Change**
No. of Service Pensioners	-7.9%	-7.7%	-7.5%
No. of Dependants	-4.0%	-3.8%	-3.6%
Total No. of Pensioners	-6.0%	-5.8%	-5.6%
Total No. of Pensions	-6.2%	-6.1%	-5.8%
Total No. of Payments	-5.6%	-6.3%	-5.8%

Of the current 14,438 pensioners:

- 47 per cent are male;
- 63 per cent live in the UK; the remainder in 94 other countries;
- 86 per cent are paid monthly; 14 per cent quarterly, bi-annually, and annually;
- 99 per cent of those living overseas are now paid by Worldlink credit transfer;
- The average age of service pensioners is 82 years;
- The average age of dependent pensioners is 84 years; and
- The oldest pensioner is now 106 years of age, and there are 92 other centenarians on OPD's books.

[1] This excludes Hong Kong pensions as these are not directly managed by OPD.

Projections of pensioner numbers estimate that the remaining payments relating to existing pensioners will be fully realised by the middle of the century.

Service Standards

A key measure of OPD performance is the service it provides to pensioners. Standards are set through a Service Level Agreement (SLA). The SLA defines the required performance standards and efficiencies and these are subject to regular monitoring and review. This is based on Cabinet Office best practice and OPD consistently checks to ensure its processes comply or exceed this. OPD's aim is that its service should always be:

- Prompt
- Efficient
- Accurate
- Helpful and courteous
- Responsive to those with special needs

Table 3 below shows performance against service standards. These figures are obtained from data held on our computer systems.

Table 3

	SLA Target %	2011-12 achieved %	2010-11 achieved %
Accuracy of initial payment calculations	97.50	99.94	100.00
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	99.46	100.00
Timeliness of payments by due date	99.00	100.00	100.00
Response to enquiries within 2 weeks of receipt	99.00	99.91	100.00
Response to complaints within 2 weeks of receipt	95.00	100.00	100.00

OPD received only 1 complaint during 2011-12 (2010-11: 4 complaints) from pensioners or their agents, which was deemed by the Complaints Officer to have no valid criticisms about OPD's service.

We investigate customer satisfaction with OPD's service through a questionnaire issued to every new pensioner within six months of the first pension payment. During 2011-12 OPD issued 272 questionnaires, of which 152 (56 per cent) were returned. The main conclusions were that:

- 97 per cent (2010-11 99 per cent) of respondents rated OPD's service as either very good (82 per cent (2010-11 80 per cent)) or good;
- 74 per cent described OPD staff as helpful (2010-11 86 per cent); and
- 83 per cent as efficient (2010-11 77 per cent).

The results of these questionnaires are used when reviewing processes and identifying areas which require improvement.

Efficiency

Our main measure of efficiency is the cost of OPD administration for each unit of activity. Targets are set within the SLA. The aim is to reduce running costs in line with the continuing reduction in pensioner numbers. Savings are calculated over a three-year period and based on those OPD costs which are directly associated with the award and payment of pensions.

Table 4 below shows performance against SLA target unit costs. Targets are set on the basis of actual costs for the previous year plus inflation of 2%.

Table 4

	2011-12 Actual	2011-12 Target Unit Cost	Restated 2010-11 Actual
Per pensioner	£32.39	£31.71	£30.76
Per pension	£15.41	£15.05	£14.59
Per payment	£3.01	£2.96	£2.87

2010-11 has been restated to include income which relates to re-imbursement from Crown Agents for processing payments on their behalf. This had not previously been included in the efficiency calculation.

Unit Costs have exceeded the SLA targets in 2011-12. This is due primarily to the low baseline figures for 2010-11, where actual unit costs benefited from a significant reduction in OPD staff numbers. Overall the trend in recent years has been for unit costs to fall year on year and we would expect this downward trend to resume.

Information assurance

A large quantity of personal and sensitive data is kept for the Overseas Superannuation Schemes. A governance structure is in place for information security and risk. DFID remains independently certified as compliant with ISO/IEC 27001:2005, the international standard for information security management systems. DFID has been formally compliant with the standard since 2008 and is committed to maintaining this certification in the future, having agreed a new contract with a new accredited certification body in 2011.

The Overseas Pensions Department identified no reportable incidents of the loss of any personal data to the Information Commissioner's Office in 2011-12 and the Information Commissioner made no findings against the Overseas Pensions Department for breach of Data Protection principles. No such incidents were reported in the previous five years.

Financial Review

Movement in the valuation of the pension scheme is largely due to the net impact of three main factors:

- changes in financial assumptions:
  - the rate of return (discount rate) has decreased to 4.85% from 5.60% in the previous year; and
  - the rate of return in excess of pension increases (CPI) has decreased to 2.80% from 2.90% in the previous year.
- change to the allowance for future mortality improvements in line with the 2010 UK principal population projections; and
- annual pension increase for pensioners, granted in April 2012, with effect from 31 March 2012. The assumed rate of future pension increases is 2.00% a year. This compares to an assumed rate of future pension increases of 2.65% a year adopted for the 2010-11 accounts.

Pensions paid in 2011-12 were £95 million (2010-11: £98 million). The Net Cash Requirement was £95 million (2010-11: £98 million).

A full actuarial valuation has been carried out at 31 March 2010. For the assessment at 31 March 2012, the actuarial liability as at 31 March 2010 has been rolled forward by adjusting the liability for updated membership information. The next full actuarial valuation will be carried out as at 31 March 2014.

For 2011-12, there was a change in the way in which the valuation was carried out. Due to the shorter timescales of producing the accounts, under Clear Line of Sight, we agreed with both Government Actuary's Department (GAD) and National Audit Office (NAO) an alternative methodology to meet our required timeframe. We provided GAD with the actual membership statistics and pensions paid to 31 January 2012 and incorporated estimates for February and March movements to derive an expected valuation as at 31 March 2012. As the Schemes are winding down, there were not any significant changes from the estimates provided for pension payments and no material changes to the scheme membership between 31 January 2012 and 31 March 2012. DFID management have reviewed the assumptions used in the latest actuarial valuation update and are content that the assumptions and the valuation at 31 March 2012 is reasonable.

Taking account of movements in the year the liability at 31 March 2012 was valued as £1,123 million (2010-11: £1,125 million).

Under IAS 19 *Employee Benefits*, a resource expense is shown in the Statement of Parliamentary Supply Summary of Resource Outturn and the Statement of Comprehensive Net Expenditure for the interest cost. This increases the discounted liabilities, because future benefit payments are one year closer to settlement. The interest cost is determined by the applied discount rate and assumptions about price inflation. For 2011-12 liabilities were discounted at a nominal rate of 4.85 per cent (2010-11: 5.60 per cent) based on the real discount rate of 2.8 per cent (2010-11: 2.9 per cent). The interest cost was £60 million (2010-11: £53 million). The discount rate has decreased to 4.85 per cent from 5.60 per cent in 2010-11, as announced by HM Treasury.

Primarily due to the pension provision, at 31 March 2012 the Statement of Financial Position shows negative taxpayers' equity of £1,123 million (2010-11: £1,126 million). In common with other obligations of government departments, the future financing of pension liabilities will be met from grants of supply approved annually by Parliament. There is no reason to believe that future approvals will not be forthcoming and it has accordingly been considered appropriate to adopt a going concern basis for the preparation of these accounts.

OPD costs for managing pensions are part of DFID administration expenditure and are included in DFID's Annual Report and Accounts. In 2011-12 administration costs were £592,020 (2010-11: £719,881).

The figure for the Net Cash Requirement was 1 per cent lower than the Estimate. The variance in the Net Cash Requirement from Estimate reflects the lower than forecast payments to pensioners in the year, based on actual pensioner movements.

Table five below shows a reconciliation of resource expenditure outturn between Estimate, Accounts and Budget.

Table 5

£000	**2011-12**	**2010-11**
Net Resource Outturn (Estimate)	**61,495**	**58,611**
Savings on actual outturn compared with Estimate	(1,145)	(119,901)
Net Operating Cost (Accounts) and Resource Budget Outturn (Budget)	**60,350**	**(61,290)**
of which:		
Departmental Expenditure Limit (DEL)	–	–
Annually Managed Expenditure (AME)	60,350	(61,290)

Audit arrangements

The accounts are audited by the Comptroller and Auditor General. Through his staff, the Overseas Superannuation Schemes Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditors are aware of that information. So far as the Accounting Officer is aware, there is no relevant audit information of which the auditors are unaware.

Management Board

The composition of the Board at the reporting date is as follows:

Mark Lowcock
Permanent Secretary

Richard Calvert
Director General Finance and Corporate Performance

Joy Hutcheon
Director General Country Programmes

Mark Bowman
Director General Humanitarian, Security and Conflict

Michael Anderson
Director General Policy and Global Programmes

Vivienne Cox
Lead Non-Executive Director

Doreen Langston
Non-Executive Director

Sharon White served as Director General Middle East and Northern Africa from 1 April 2011 to 30 September 2011.

The Permanent Secretary appoints members to the Management Board. Those who are also civil servants serve under the terms of the Senior Civil Service Contract.

Principal risks and uncertainties

The key risk which the Schemes face is the continued (unauthorised) payout of pension benefits after a member has died. To mitigate against this risk, the Schemes requires all members to complete and return a signed annual declaration confirming their identity. Further details on controlling this risk is provided within the Governance Statement.

Events after the reporting period

The Department for International Development Overseas Superannuation Schemes accounts are laid before the Houses of Parliament by HM Treasury. IAS 10 *Events after the reporting period* requires the Department for International Development Overseas Superannuation Schemes 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.

Managers and Advisers

Accounting Officer	Mark Lowcock Accounting Officer for the Overseas Superannuation Schemes Department for International Development 1 Palace Street London SW1 5HE
Managers	Overseas Pensions Department (OPD) Department for International Development (DFID) East Kilbride G75 8EA
Advisers	
Superannuation Schemes Actuary:	Government Actuary's Department, Finlaison House, 15-17 Furnival Street, London EC4A 1AB

Bankers:	Royal Bank of Scotland plc, London Corporate SC, PO Box 39952, 21 / 2 Devonshire Square, London EC2M 4XJ
	Citibank, N A Citigroup Centre, Canada Square, Canary Wharf, London E15 5LB
Legal Advisers:	Office of the Solicitor to the Advocate General for Scotland, Victoria Quay, Edinburgh EH6 6QQ

Auditors

Auditors:	The Comptroller and Auditor General, 157-197 Buckingham Palace Road, Victoria, London SW1W 9SP

Further Information

An explanatory booklet "A Guide to Your Pension" is issued to all new pensioners. The booklet contains details of the standard of service they can expect to receive from Overseas Pensions Department and general information on the administration of their pensions, including dispute resolution procedures. A copy of the Guide and other general information is found on DFID's web site, www.dfid.gov.uk.

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

The Scheme Manager
Overseas Pensions Department
Department for International Development
East Kilbride
G75 8EA

Mark Lowcock
Accounting Officer for the Department for International Development and Overseas Superannuation Schemes
18 June 2012

Report of the Actuary

Pension Schemes administered by the Department for International Development

Accounts for the year ended 31 March 2012

Introduction

1. This statement has been prepared by the Government Actuary's Department at the request of the Department for International Development ('DFID' or 'the Department'). It summarises the pensions disclosures required for the 2011-12 Accounts of the Overseas Superannuation schemes (the 'schemes').

2. The schemes are defined benefit schemes, and the benefits are paid under the Overseas Pensions Act 1973, the Pensions (Increase) Act 1971, the Hong Kong (Overseas Public Servants) Act 1996 and the UK Police and Firemen Acts. I have not been provided with copies of the full legislation governing all the schemes. The schemes are wholly unfunded. I am not aware of any informal practices operated within the scheme which lead to a constructive obligation (under IAS 19 constructive obligations should be included in the measurement of the actuarial liability).

3. The statement is based on an assessment of the liabilities as at 31 March 2010, with an approximate updating to 31 March 2012 to reflect known changes.

Membership data

Tables 1 to 4 summarise the principal membership data as at 31 January 2012 and 31 March 2010 used to prepare this statement.

Membership data as at 31 January 2012

Table 1: Membership data (excluding Hong Kong) by type of member

Membership	Number of records	Total pension[2] £ million pa
Service pensioners	6,396	34.7
Dependant pensioners	8,205	52.1
Total	**14,601**	**86.8**

Table 2: Hong Kong membership data

Membership	Number of records	SPOS[3] ceiling £ million pa	SPOS base £ million pa	Total safeguard £ million pa
Service pensioners	1,143	33.0[4]	19.2	18.9
Dependant pensioners	469	8.1	1.4	7.6
Actives	50	1.1[4]	1.1[4]	n/a
Total	**1,662**	**42.2**	**21.7**	**26.5**

[2] Excluding pensions increase awarded in April 2012.
[3] The pension increases are known as the Supplementary Pension for Overseas Service ("SPOS")
[4] Estimated.

Membership data as at 31 March 2010

Table 3: Membership data (excluding Hong Kong) by type of member

Membership	Number of records	Total pension[5] £ million pa
Service pensioners	7,598	41.1
Dependant pensioners	8,784	53.9
Total	**16,382**	**95.0**

Table 4: Hong Kong membership data

Membership	Number of records	SPOS ceiling £ million pa	SPOS base £ million pa	Total safeguard £ million pa	Contingent safeguard £ million pa
Service pensioners	1,194	32.9	18.9	19.3	6.4
Dependant pensioners	485	7.7	1.4	7.3	1.4
Actives	69	1.5	1.5	0.8	0.0
Totals	**1,748**	**42.1**	**21.8**	**27.4**	**7.8**

Methodology

4. IAS19 requires that the value of the accrued liabilities and the Current Service Cost be assessed using the standard actuarial methodology known as the Projected Unit Credit Method (PUCM). This method has been adapted in agreement with the Department and the auditors in view of the small number of active members. That is, the actuarial liability of active members 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 2012 was nil because of the way the methodology has been adapted for active members.

5. This statement takes into account the benefits normally provided under the scheme, including retirement benefits applicable following the death of the member pensioner. It does not include the cost of injury benefits (in excess of any ill-health benefits).

Principal financial assumptions

6. The principal financial assumptions adopted to prepare this statement are shown in Table 5. With effect from 31 March 2012, the assumed rate of return in excess of pension increases was reduced from 2.9% a year to 2.8% a year. In addition, with effect from 31 March 2012, the assumed rate of future pension increases is 2.00% a year (changed from 2.65% as at 31 March 2011).

Table 5 – Principal financial assumptions

Assumption	31 March 2012	31 March 2011
Rate of return (discount rate)	4.85%	5.60%
Rate of return in excess of:		
Pension increases	2.80%	2.90%
Expected return on assets	n/a	n/a

[5] No pension increase was applied from April 2010.

Demographic assumptions

7. The demographic assumptions adopted for the assessment of the liabilities as at 31 March 2012 are the same as those adopted for the 2010-11 Accounts, except the assumed levels of future mortality improvement will be in accordance with the improvements incorporated in the 2010-based principal population projections for the United Kingdom (prepared by the Office for National Statistics).

8. The standard mortality tables known as the '92' series are used without any adjustment to baseline mortality. Mortality improvements are in accordance with those incorporated in the 2010-based principal population projections for the United Kingdom.

Liabilities

9. Table 6 summarises the assessed value as at 31 March 2012 of benefits accrued under the scheme prior to 31 March 2012 based on the data, methodology and assumptions described in paragraphs 3 to 8. The corresponding figures for the previous four year ends are also included in the table.

Table 6 – Statement of Financial Position

£ million

	31 March 2012	31 March 2011	31 March 2010	31 March 2009	31 March 2008
Total market value of assets	nil	nil	nil	nil	nil
Value of liabilities	(1,123)	(1,125)	(1,293)	(1,241)	(1,326)
Surplus/(Deficit)	(1,123)	(1,125)	(1,293)	(1,241)	(1,326)
of which recoverable by employers	n/a	n/a	n/a	n/a	n/a

Pension costs

10. The cost of benefits accruing in the year ended 31 March 2012 (the Current Service Cost) is nil as a result of the adaptation to the PUCM method agreed for the valuation of the active membership.

11. The past service cost in the year ended 31 March 2012 is nil since there have been no changes to the scheme benefits. The total pension cost (the current service cost plus the past service cost) for 2011-12 is therefore nil.

Sandra Bell
Government Actuary's Department
11 June 2012

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Department for International Development 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 financial statements must give a true and fair view of the state of affairs of the Schemes at the year end and of the net resource outturn and cash flows for the year then ended. The financial statements are required to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities that govern them. In addition, the financial statements must be prepared so as to ensure that the contributions payable to the Scheme during the year have been paid in accordance with the Scheme rules and the recommendations of the Actuary.

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; and
- Prepare the financial statements on a going concern basis.

HM Treasury has appointed me, as Permanent Secretary, Accounting Officer of the Department and also 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 Superannuation Schemes are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in Managing Public Money.

Mark Lowcock
Accounting Officer for the Department for International Development and Overseas Superannuation Schemes
18 June 2012

Governance Statement

Introduction

As Accounting Officer I have responsibility for ensuring that an effective corporate governance framework applies within the Overseas Superannuation Schemes, which provides strategic direction and management of the organisation. In particular the supporting corporate governance systems are designed to manage risks, ensure accountability and deliver efficient and effective organisational performance. As Accounting Officer for DFID as well as for the Overseas Superannuation Schemes, I also have particular responsibility for the activities which are carried out by DFID's Overseas Pensions Department (OPD) on behalf of the Schemes.

Opinion

As Accounting Officer, my opinion is informed by the work of DFID's Internal Audit Department, the DFID Audit Committee, the Director General Finance and Corporate Performance who has responsibility for OPD, the Director for Value for Money, who is accountable for OPD, confirmed through her annual Director's Statement of Assurance verification and the Annual Report prepared by OPD setting out its deliverables against its Service Level Agreement and the work performed and reported by National Audit Office.

On the basis of this advice and evidence, I am satisfied with the overall standard of corporate governance that has been in place in OPD and therefore the Overseas Superannuation Schemes for the year ended 31 March 2012 and up to the approval date of these accounts. Any weaknesses identified in the internal operating environment have been assessed and appropriate action has been taken, or is in progress to address these.

Governing Bodies

The Minister with responsibility for pensions is Stephen O'Brien, Parliamentary Under Secretary of State for International Development.

The Scheme Manager of the Overseas Superannuation Schemes is an employee of DFID and in this capacity is responsible for the operations of OPD as Head of Department.

The Director for Value for Money of DFID is accountable to DFID's Management Board for the work of OPD and for associated risks. OPD's sole responsibility is in relation to serving and fulfilling the requirements of the Overseas Superannuation Schemes.

Compliance with the Corporate Governance Code of Good Practice

The Overseas Superannuation Schemes comply with the Corporate Governance Code, through its use of DFID systems and governance, applied within OPD. National Audit Office's checklist was used as a basis to assess compliance within DFID. The Code gives Departments the flexibility to depart from some detailed principles in the Code as long as its practices are consistent with those principles. How DFID adapts the principles of the Code is included within the Governance Statement in DFID's Annual Report and Accounts which can be found at www.dfid.gov.uk. This also includes details of Management Board members and meeting attendance records.

Board's performance

A Service Level Agreement is in place between DFID as Sponsoring Employer to the Scheme and OPD, who have been appointed to carry out the administration of the Schemes. This sets out that OPD are responsible for the administration and payment of pensions to members and their dependants. The terms of the agreement also include OPD's responsibility within Whitehall for all aspects of policy and advice on colonial pension matters.

This was signed by the Scheme Manager and the Accounting Officer of DFID at the time. It is subject to regular review to ensure it remains appropriate and effective in governing the work and resources of the department. This includes consideration of the appropriateness of data, both in terms of content and quality.

OPD's effectiveness is outlined within the OPD Annual Report. This is provided to the Minister for Pensions, myself as the Accounting Officer for both DFID and the Schemes, the Director General Finance and Corporate Performance, whose remit includes responsibility for OPD and the Director for Value for Money who is accountable for OPD, in order for them to review the performance of OPD. The data supplied includes details of workload and transactions undertaken in the year under review, number of complaints and compensation paid, details of payment irregularities, standards of service against targets together with details of financial performance of the department. No issues were identified indicating problems or weaknesses in the effectiveness of OPD.

The effectiveness of DFID's board is included within DFID's Annual Report and Accounts.

There have been no ministerial directions given in 2011-12.

Highlights of Board sub-committees

DFID's Management Board sub-committee meetings were held throughout the year 2011-12. No actions or outcomes were identified in relation to Overseas Superannuation Schemes from these meetings. Highlights of the Board sub-committees can be found within the Governance Statement within DFID's Annual Report and Accounts.

Risk Management and Internal Control Environment

The Schemes' assessment of risk and the internal control environment is based on its assessment of the environment applied within OPD.

Internal control

OPD's risk management architecture, as part of DFID as a whole, was reviewed in financial year 2010-11 and continues to be developed to deliver more active and effective management of risks. Management of risk in OPD is supported by the Management Board's Risk Appetite Statement.

Capacity to handle risk

DFID's capacity to handle risk, including that of OPD, is set out in the Governance Statement in DFID's 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

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

Control of risk within OPD is partly exercised through setting of performance standards for OPD in a Service Level Agreement (SLA). The SLA defines the required performance standards and efficiencies and these are subject to regular monitoring and review. This is based on Cabinet Office best practice and OPD consistently checks to ensure its processes comply or exceed this. Performance against the SLA is included within the Report of the Managers. The Head of Department reviews these results and takes action where appropriate to identify and implement improvement opportunities.

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 has in place controls to address the risk that pensions continue in payment after the death of beneficiaries. OPD also has contingency plans in place to respond to threats to key information systems and, where possible, to maintain continuity of operations.

OPD, as part of DFID, remains independently certified as compliant with ISO/IEC 27001:2005, 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. DFID has a Senior Information Risk Owner, who reports regularly to the Management Board on information risk, including an annual DFID information risk assessment report to the Permanent Secretary.

A key risk that OPD faces is making continued pension payments following the death of a pensioner. To mitigate against this risk the scheme requires all members or their legal representatives to complete and return a signed annual declaration confirming their identity. If the annual declaration is not received or is returned incomplete, OPD suspend the pension payment until an explanation is provided or a properly completed declaration is received.

DFID 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 2011-12.

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 DFID, 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.

The Director for Value for Money has provided me with an annual assurance certificate covering identification and management of risk and an assurance on compliance with management and control systems within her Division. Her assurance statement informs my review of OPD systems for performance management and compliance with control systems.

Over the course of the year, the internal audit function of DFID selects a random sample of departments to review. OPD was selected during 2011-12, covering governance, risk management and control. Their audit opinion was satisfactory and there were no significant issues identified or remedial action proposed from this review which I consider require to be highlighted or impact on my assessment of the Scheme's control environment.

Significant internal control issues

There were no internal control issues found during 2011-12. An Internal Control framework is in place where all internal controls are being continually reviewed. This allows OPD to respond and adapt quickly to any change in circumstances.

Mark Lowcock
Accounting Officer for the Department for International Development and Overseas Superannuation Schemes
18 June 2012

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

I certify that I have audited the financial statements of the Department for International Development Overseas Superannuation pension scheme for the year ended 31 March 2012 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2012 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Scheme's affairs as at 31 March 2012 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the 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 are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse **22 June 2012**
Comptroller and Auditor General

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

Statement of Parliamentary Supply

Summary of Resource and Capital Outturn 2011-12

	Note	Estimate			Outturn			2011-12	2010-11 Outturn
		Voted £000	Non-Voted £000	Total £000	Voted £000	Non-Voted £000	Total £000	Voted outturn compared with Estimate: saving/(excess) £000	Total £000
Departmental Expenditure Limit									
– Resource		–	–	–	–	–	–	–	–
– Capital		–	–	–	–	–	–	–	–
Annually Managed Expenditure									
– Resource		61,495	–	61,495	60,350	–	60,350	1,145	(61,290)
– Capital		–	–	–	–	–	–	–	–
Total Budget	**3**	**61,495**	**–**	**61,495**	**60,350**	**–**	**60,350**	**1,145**	**(61,290)**
Non-Budget									
– Resource		–	–	–	–	–	–	–	–
Total		**61,495**	**–**	**61,495**	**60,350**	**–**	**60,350**	**1,145**	**(61,290)**
Total Resource		61,495	–	61,495	60,350	–	60,350	1,145	(61,290)
Total Capital		–	–	–	–	–	–	–	–
Total		**61,495**	**–**	**61,495**	**60,350**	**–**	**60,350**	**1,145**	**(61,290)**

Net Cash Requirement 2011-12

Note	2011-12 Estimate £000	2011-12 Outturn £000	2011-12 Outturn compared with Estimate: saving/(excess) £000	2010-11 Outturn £000
5	95,961	94,773	1,188	97,963

Administration Costs 2011-12

2011-12 Estimate £000	2011-12 Outturn £000	2010-11 Outturn £000
-	-	-

Figures in the areas outlined in bold are the voted totals or other totals subject to Parliamentary control.

Explanations of variances between Estimate and Outturn are given in Note 3 and in the Management Commentary on pages 1 to 7.

Notes on pages 22-31 form part of these accounts.

Statement of Comprehensive Net Expenditure for the year to 31 March 2012

	Note	2011-12	2010-11
		£000	£000
Income			
Other pension income		–	–
Expenditure			
Interest on scheme liabilities	6	60,350	53,254
Other expenditure		-	(114,544)
Net Expenditure		**60,350**	**(61,290)**
Other Comprehensive Net Expenditure			
Gain due to change in financial assumptions	10.3	(5,000)	(15,952)
(Gain) / loss due to change in mortality assumptions	10.3	(7,000)	12,832
Experience loss / (gain) arising on scheme liabilities	10.3	44,000	(5,245)
Recognised (gains) and losses for the financial year		**32,000**	**(8,365)**
Total Comprehensive Net Expenditure		**92,350**	**(69,655)**

Notes on pages 22-31 form part of these accounts.

Statement of Financial Position as at 31 March 2012

	Note	31 March 2012 £000	31 March 2011 £000
Current assets			
Receivables	7	198	206
Cash and cash equivalents	8	1,029	3,032
Total current assets		**1,227**	**3,238**
Current liabilities			
Payables	9.1	(998)	(1,142)
Consolidated fund for unused supply	9.2	(1,029)	(3,032)
Total current liabilities		**(2,027)**	**(4,174)**
Net current liabilities, excluding pension liability		**(800)**	**(936)**
Pension Liability	10.2	(1,122,613)	(1,124,900)
Net liabilities, including pension liabilities		**(1,123,413)**	**(1,125,836)**
Taxpayers' equity:			
General fund		(1,123,413)	(1,125,836)
		(1,123,413)	**(1,125,836)**

Mark Lowcock
Accounting Officer for the Department for International Development and Overseas Superannuation Schemes
18 June 2012

Notes on pages 22-31 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2012

		General Fund	
		2011-12	2010-11
	Note	£000	£000
Balance at 1 April		**1,125,836**	**1,293,454**
Net Parliamentary Funding – drawn down	11.2	(92,770)	(97,873)
Net Parliamentary Funding – deemed	9.2	(3,032)	(3,122)
Supply payable adjustment	9.2	1,029	3,032
Comprehensive Net Expenditure for the Year	3	60,350	(61,290)
Actuarial loss / (gain)	10.3	32,000	(8,365)
Net change in Taxpayers' Equity		(2,423)	(167,618)
Balance at 31 March		**1,123,413**	**1,125,836**

Notes on pages 22-31 form part of these accounts.

Statement of Cash Flows
for the year ended 31 March 2012

	Note	2011-12 £000	2010-11 £000
Cash flows from operating activities	11.1	(94,773)	(97,963)
Cash Flows from Net Parliamentary Financing	11.2	92,770	97,873
Net decrease in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**(2,003)**	**(90)**
Payments of amounts due to the Consolidated Fund		–	–
Net decrease in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	**8**	**(2,003)**	**(90)**
Cash and cash equivalents at the beginning of the period	8	3,032	3,122
Cash and cash equivalents at the end of the period	8	**1,029**	**3,032**

Notes on pages 22-31 form part of these accounts.

Notes to the Financial Statements

1 Basis of preparation and coverage

1.1 The financial statements of the Overseas Superannuation Schemes have been prepared in accordance with the relevant provisions of the 2011-12 *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.

1.2 In addition to the primary statements prepared under IFRS, the FReM also requires the Scheme to prepare an additional statement – a Statement of Parliamentary Supply. This, 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 on the Scheme; 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 scheme liability. Further information about the actuarial position of the Scheme is dealt with in the Report of the Actuary, and the Scheme financial statements should be read in conjunction with that Report.

1.4 The financial statements also have regard to the Government Resources and Accounts Act 2000.

1.5 The statements are mostly non-contributory defined benefit pension schemes, for colonial civil and military officers and their dependants, managed by Overseas Pensions Department (OPD) of the Department for International Development. A fuller description of the schemes is in the Report of the Managers on pages 1 to 7.

1.6 The administration costs of OPD are part of those of the Department for International Development and are included in the DFID Annual Report and Accounts, as is the cost of audit of these statements by the Comptroller and Auditor General. The Report of the Managers includes information on administration costs and efficiency.

2 Accounting Policies

2.1 The financial statements of the Overseas Superannuation Schemes have been prepared in accordance with the relevant provisions of the 2011-12 *Government Financial Reporting Manual* (FReM) issued by HM Treasury.

2.2 The accounting policies contained in the FReM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate in the public sector context.

2.3 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 Scheme 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 Scheme financial statements.

2.4 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 method and are discounted at 2.8 per cent real. The discounted rate is determined by HM Treasury.

2.5 The discount rate is reviewed annually by HM Treasury who track changes in the real yield implied from AA corporate bond rates until 31 March, and an assessment is then made to ensure there has not been a significant deviation in the discount rate between 30 November and 31 March. This is necessary to remain in compliance with IAS 19, which requires the discount rate to reflect the time value of money.

2 Accounting Policies (continued)

2.6 Pension benefits payable is accounted for as a decrease in the Schemes' liabilities on an accruals basis.

2.7 Full actuarial valuations of the Schemes' liabilities are prepared every four years by GAD and was last carried out at 31 March 2010. For 2011-12 the Actuary reviewed the valuations based on the information provided to them at 31 January 2012, with estimates for February and March, and have updated it as necessary to reflect current conditions. Further information on the valuation process can be found in the Report of the Managers. Actuarial gains and losses arising from valuations and reviews are recognised in the Statement of Comprehensive Net Expenditure.

2.8 DFID acts as an agent in making certain payments to pensioners using funds provided by other Governments and is not part of the pension liability within the Statement of Financial Position.

2.9 DFID becomes the Police Authority for the purposes of the Police Pensions Scheme for police officers seconded from their home forces to police services of UK Overseas Territories. At the end of secondments, transfer values representing the cost of the police officers' accrued pension entitlements during the secondment period may be payable to seconding forces and are claimable from the overseas government. Claims and liabilities are recognised on a provisional basis in the Statement of Financial Position at the end of secondments and adjusted when final settlements are paid or received.

2.10 Cash balances held in an account at the Government Banking Service for pay over to HMRC for pensioners' tax liabilities are included in cash balances (Note 8).

2.11 In addition to contingent liabilities in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, DFID discloses for parliamentary reporting and accountability purposes certain contingent liabilities where the likelihood of a transfer of economic benefit is remote. These comprise:

(a) items over £250,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by departmental minute prior to DFID entering into the arrangement;

(b) all items (whether or not they arise in the normal course of business) over £250,000 (or lower, where required by specific statute or where material in the context of resource accounts) which are required by the FReM to be noted in the accounts.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

3 Analysis of net resource outturn by section

	2011-12									2010-11 Outturn
	Outturn							Estimate		
	Administration			Programme						
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net total compared to Estimate	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Annually Managed Expenditure										
Voted:										
A: Interest on liabilities and other expenses	-	-	-	60,350	-	60,350	60,350	61,495	1,145	(61,290)
TOTAL	**-**	**-**	**-**	**60,350**	**-**	**60,350**	**60,350**	**61,495**	**1,145**	**(61,290)**

4 Reconciliation of net resource outturn to net expenditure

	2011-12 £000 Outturn	2010-11 £000 Outturn
Net resource outturn	60,350	(61,290)
Net Expenditure / (income) in Statement of Comprehensive Net Expenditure	**60,350**	**(61,290)**

5 Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	2011-12 £000 Outturn	2010-11 £000 Outturn
Net resource outturn		60,350	(61,290)
Accruals adjustments:			
Addition to pension provision	10.2	(60,350)	(53,254)
Other non-cash	10.2	–	114,521
Use of pension provision	10.2	94,637	98,090
Changes in working capital other than cash		136	(104)
Net cash requirement		**94,773**	**97,963**

6 Interest on scheme liabilities

	Note	2011-12 £000	2010-11 £000
Interest charge for the year	10.2	60,350	53,254

7 Receivables – repayments due in respect of pensions

	2011-12 £000	2010-11 £000
Other receivables (non-government)	198	206

8 Cash and cash equivalents

	2011-12 £000	2010-11 £000
Balance at 1 April	3,032	3,122
Net change in cash balances	(2,003)	(90)
Balance at 31 March	**1,029**	**3,032**

The following balances at 31 March were held at:		
Government Banking Service	1,029	3,032
Balance at 31 March	**1,029**	**3,032**

9 Payables – in respect of pensions

	Note	2011-12 £000	2010-11 £000
9.1 Analysis by type			
Amounts falling due within one year			
Payables:			
HMRC (other central government)		(954)	(1,007)
Other payables (non-government)		(44)	(135)
		(998)	(1,142)
Consolidated Fund (CF) payables:			
Supply issued and not used	9.2	(1,029)	(3,032)
Total: Operating and Consolidated Fund		**(2,027)**	**(4,174)**

	Note	2011-12 £000	2010-11 £000
9.2 CF payable for unused Supply			
Supply drawn down		(92,770)	(97,873)
"Deemed" supply (retained from the previous year)		(3,032)	(3,122)
		(95,802)	(100,995)
Net cash requirement	5	94,773	97,963
Supply payable		**(1,029)**	**(3,032)**
Actual Supply payable		**1,029**	**3,032**

10 Provisions for Pension Liabilities

10.1 The Overseas Superannuation Schemes included in these statements are unfunded defined benefit schemes. A full actuarial valuation of the schemes was carried out as at 31 March 2010 by GAD. The Report of the Actuary on pages 8 to 10 sets out the scope, methodology and results of the work the actuary has carried out.

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

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

10 Provisions for Pension Liabilities (continued)

The major assumptions used by the actuary were:

	At 31 March 2012	At 31 March 2011	At 31 March 2010	At 31 March 2009	At 31 March 2008
Rate of increase in salaries	n/a	n/a	n/a	n/a	n/a
Rate of increase in pensions in payment (%)	2.00	2.65	2.75	2.75	2.75
Rate of increase in deferred pensions (%)	2.00	2.65	2.75	2.75	2.75
Inflation assumption (long term) (%)	2.00	2.65	2.75	2.75	2.75
Inflation assumption (short term) (%)	2.00	2.65	2.75	2.75	2.75
Discount rate (real) (%)	2.80	2.90	1.80	3.20	2.50

Current baseline mortality rates have been assumed to be in line with the standard mortality tables listed below. The PMA92 and PFA92 mortality tables (for males and females respectively) are published by Continuous Mortality Investigation Bureau (CMIB) of the Institute of Actuaries and the Faculty of Actuaries.

Mortality tables
Member pensioners – men PMA92
Member pensioners – women PFA92
Dependant pensioners – men PMA92
Dependant pensioners – women PFA92

The current baseline rates of mortality are assumed to improve in future in line with the central projections for population mortality published by the Office for National Statistics. The effect of the change in mortality assumptions on the pension liabilities is shown above.

These key assumptions are inherently uncertain, since it is impossible to predict with any accuracy future changes in the rate of salary increases, 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 annual valuation of the Scheme liabilities. However, the Scheme managers acknowledge 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. For example, on its own, even a small rise in the assumed rate of inflation will result in an increase in the pension liability.

The assumption that has the biggest impact on the amount of the reported liability is the discount rate net of price inflation. As set out in the FReM, and as required by IAS 19 *Employee Benefits*, the discount rate net of price inflation is based on yields on high quality corporate bonds. The rates are set out in the above table. Any decrease in the discount rate net of price inflation leads to a significant increase in the reported liability.

In reality, the complexity and range of assumptions underlying the calculation of the pension liability are such that a change in one financial assumption is likely to have a knock-on effect on other financial assumptions. The Scheme managers do not consider it useful to attempt to reflect the impact of any changes in the range of assumptions, since this would result in giving a range of inherently uncertain figures. In the opinion of the Scheme managers, the actuary has used key assumptions that are the most appropriate for the Scheme in the light of current knowledge.

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 Scheme 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 about the changes that will occur in the future in the mortality rate.

10 Provisions for Pension Liabilities (continued)

The value of the liability on the statement of financial position may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to increase or decrease the assumed rates of inflation, the value of the pension liability will increase or decrease. The managers of the Scheme accept that, as a consequence, the valuation provided by the Actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions is disclosed above. This also discloses "experience" gains or losses for the year, showing the amount charged or credited for the year because events have not coincided with assumptions made for the last valuation.

10.2 Analysis of movements in the Scheme liability

	2011-12	2010-11
	£000	£000
Scheme liability at 1 April	**(1,124,900)**	**(1,292,622)**
Interest on Scheme liability	(60,350)	(53,254)
Benefits payable	94,637	98,090
Past service costs[1]	–	114,521
Actuarial (loss) / gain	(32,000)	8,365
Scheme liability at 31 March	(1,122,613)	(1,124,900)

[1] The past service cost for 2010-11 relates to a move from Retail Price Index (RPI) to Consumer Price Index (CPI). DFID adopted the CPI for the indexation of public service pensions from April 2011 in accordance with the budget as announced by the Government on 22 June 2010. This exceptional past service cost was charged to the Statement of Comprehensive Net Expenditure in 2010-11.

10.3 Analysis of actuarial (loss) / gain

	2011-12	2010-11
	£000	£000
Experience (loss) / gain arising on Scheme liabilities (3.92% of year end liability ; 2010-11 0.47% of year end liability)	(44,000)	5,245
Gain / (loss) due to change in mortality assumptions	7,000	(12,832)
Gain due to change in financial assumptions	5,000	15,952
At 31 March	**(32,000)**	**8,365**

10.4 History of experience (losses) / gains

	2012	2011	2010	2009	2008
Experience (losses) / gains on the scheme liabilities					
Amount (£m)	(44)	5	79	(29)	(15)
Percentage of the present value of the scheme liabilities	3.92%	0.47%	6.13%	2.36%	1.12%
Total amount recognised in other comprehensive net expenditure					
Amount (£m)	(44)	5	79	(29)	(15)
Percentage of the present value of the scheme liabilities	3.92%	0.47%	6.13%	2.36%	1.12%

11 Notes to the cash flow statement

11.1 Reconciliation of net outgoings to operating cash flows

	2011-12	2010-11
	£000	£000
Net outgoings for the year	(60,350)	61,290
Increase / (Decrease) in long term pension liability	60,350	(61,267)
Benefits paid and payable	(94,637)	(98,090)
Decrease in receivables	8	104
Decrease in payables	(2,147)	(90)
less: movements in payables for items not passing through the revenue account	2,003	90
Net cash outflow from operating activities	**(94,773)**	**(97,963)**

11.2 Analysis of Net Parliamentary financing

	2011-12	2010-11
	£000	£000
From the Consolidated Fund (Supply) – current year	92,770	97,873
Net Parliamentary financing	**92,770**	**97,873**

11.3 Reconciliation of net cash requirement to (decrease) / increase in cash

	2011-12	2010-11
	£000	£000
Net cash requirement	(94,773)	(97,963)
From the Consolidated Fund (Supply) – current year	92,770	97,873
Decrease in cash	**(2,003)**	**(90)**

12 Third Party Repayments

	2011-12	2010-11
	£000	£000
Balances due as at 1 April	(19)	87
Received	(267)	(372)
Paid	266	266
Balances held as at 31 March	**(20)**	**(19)**

The balance held for third parties is advance funding to cover the monthly cost of pensions paid on behalf of Kenya AOFPF, administered by Crown Agents, and Pakistan High Commission.

13 Financial Instruments

As the cash requirements of the Scheme are met through the Estimate process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to cash and the corresponding supply creditor, so the Department is therefore exposed to little credit, liquidity or market risk.

The carrying amounts of financial instruments as at 31 March 2012 were as follows:

	Note	2011-12	2010-11
		£000	£000
Financial assets			
Receivables	7	198	206
Cash and cash equivalents	8	1,029	3,032
		1,227	**3,238**
Financial liabilities			
Financial liabilities at amortised cost		(2,027)	(4,174)
		(2,027)	**(4,174)**

14 Contingent Liabilities

Contingent liabilities consist of a liability under the Hong Kong (Overseas Public Servants) Act 1996, Sterling Safeguard Scheme for value of public service pensions and a liability relating to other overseas territories totalling £157.3m (2010-11 £117.5m). The contingent safeguard is the amount by which a member's safeguard pension exceeds the current level of UK pension increases payable under Supplementary Pension for Overseas Service (SPOS). The member's safeguard increases in line with UK inflation. DFID pays the balance over the sterling level of each member's Hong Kong pension up to the greater of the safeguard pension or the UK pension increases. This is valued assuming that members' Hong Kong pensions ceased on 1 April 2012 (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).

15 Losses and special payments

15.1 Losses Statement

	2011-12	2010-11
	£000	£000
Total (56 cases, 2010-11: 68 cases)	33	70

There are no individual cases greater than £250,000

15.2 Special Payments

	2011-12	2010-11
Total (2 cases, 2010-11: 0 case)	55	–

There are no individual cases greater than £250,000

16 Related-party transactions

None of the managers of the schemes, key managerial staff or other related parties has undertaken any transactions with the schemes during the year.

17 Events after the reporting period

The Department for International Development Overseas Superannuation Accounts have been authorised for issue by the Accounting Officer on the same date that the Comptroller and Auditor General signed his certificate and are to be laid before the Houses of Parliament by HM Treasury on 25 June 2012.

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