Presented pursuant to the Government Resources and Accounts Act 2000 c.20, s.6 (4)

# Department for International Development

# Resource Accounts 2007-08

LONDON: The Stationery Office
HC 672

14 July 2008
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# Department for International Development Resource Accounts 2007-08

**(For the year ended 31 March 2008)**

*Ordered by the House of Commons to be printed*
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# Contents

## Annual Report

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## 1. Coverage of the Accounts

The Department for International Development (DFID) is responsible for leading the Government's efforts to promote international development and eliminate poverty. These accounts cover DFID activities carried out from headquarter offices in London and East Kilbride; and offices in many developing countries. They do not consolidate the results of the limited number of non-departmental bodies or other organisations for which DFID has policy responsibility (section 2 below).

DFID also pays, from separate funds, pensions and related benefits to certain former overseas civil and public servants. A separate resource account (Department for International Development: Overseas Superannuation) reports expenditure and other information about these pension schemes. DFID accounts include the administrative costs associated with this function.

For public expenditure control purposes, DFID's resource budget includes an attributed cost for the UK share of spending from the budget of the European Communities on development purposes. UK payments to the EC budget are made from the Consolidated Fund. In accordance with the Financial Reporting Manual (FReM) rules on treatment of payments out of the Consolidated Fund, attributed costs for development expenditure are not included in the primary statements. Information about the total resource budget is included in the Management Commentary.

## 2. Public Sector Bodies

DFID, on behalf of the Government, owns 100 per cent of the issued share capital of the CDC Group plc. In 2004, fund management activities previously carried out by CDC were transferred to a newly formed limited liability partnership (Actis llp). Our accounts include as assets the Government's shareholding in CDC and the cost of its investment in Actis. Both CDC and Actis publish their own annual report and accounts. Note 14 of the accounts provides key summary data.

DFID is also responsible for the following Non-Departmental Public Bodies:

- Commonwealth Scholarship Commission
- Crown Agents Holding and Realisation Board (CAHRB)

None of these bodies employ any staff or have any facilities.

On 28 March 2008, the Crown Agents Holding and Realisation Board (Prescribed Day) Order 2008 (SI 2008 No. 921) came into force. This order has the effect that any property, rights, liabilities or obligations which the Crown Agents Holding and Realisation Board had immediately before 1 April 2008 were transferred to DFID on 1 April 2008 by virtue of this Order, to be disposed of by DFID. Any sums transferred by, or accruing under, this Order to DFID are to be paid into the Consolidated Fund. Any sums to be provided for the purposes of this Order are to be paid out of money provided by Parliament. The value of net assets to be transferred are expected to be less than £1m, subject to valuations in the final CAHRB accounts.

## 3. Other Reporting

DFID publishes an Annual Report each year that supplements these accounts and provides information to Parliament and the public on DFID's activities. The Annual Report 2008 was presented to Parliament pursuant to section one of the International Development (Reporting and

Transparency) Act 2006 on 8 May 2008 (HC 492). The report gives details of DFID's work and key developments in 2007-08, together with indicative budget allocations for the period to 2008-09 to 2010-11. A further update on performance will be provided in the Autumn Performance Report (planned for December 2008).

Each year DFID also publishes "Statistics on International Development" which contain a detailed breakdown of development expenditure. The next report, including 2007-08, will be published in Autumn 2008.

## 4. Ministers

During the year to 31 March 2008, DFID's Ministers were:

Douglas Alexander MP, Secretary of State for International Development (from June 2007).

Hilary Benn MP, Secretary of State for International Development (to June 2007).

Gareth Thomas MP, Parliamentary Under-Secretary of State for International Development.

Shahid Malik MP, Parliamentary Under-Secretary of State for International Development (from June 2007).

Gillian Merron MP, Parliamentary Under-Secretary of State for International Development (from January 2008).

Baroness Shriti Vadera, Parliamentary Under-Secretary of State for International Development (from June 2007 to January 2008). Baroness Vadera also spoke on DFID business in the House of Lords.

Baroness Christine Crawley, speaks on DFID business in the House of Lords (from January 2008).

Baroness Valerie Amos, Leader of the House of Lords, spoke on DFID business in the House of Lords (to June 2007).

## 5. Management Commentary

### *5.1 Aims and objectives*

DFID's aim is the elimination of poverty. It works with developing countries and the international community to achieve eight Millennium Development Goals (MDGs), endorsed at the UN Millennium Summit in September 2000 as milestones of global progress in tackling poverty. The Goals are to:

- Eradicate extreme poverty and hunger
- Achieve universal primary education
- Promote gender equality and empower women
- Reduce child mortality
- Improve maternal health
- Combat HIV/AIDS, malaria and other diseases
- Ensure environmental sustainability
- Develop a global partnership for development

### *5.2 Legislation*

The International Development Act 2002 allows the Secretary of State for International Development to provide development assistance for sustainable development and welfare; in doing so he has to be satisfied that the assistance is likely to contribute to poverty reduction. The Act allows him to provide support for development awareness and advocacy work, and to use a wider range of financial instruments including securities and guarantees; it also provides for continued assistance to the UK's Overseas Territories and allows DFID to provide rapid humanitarian assistance.

In July 2006, the International Development (Reporting and Transparency) Act 2006 passed into law. The Act requires the Secretary of State for International Development to report annually on various areas, including expenditure on international aid, progress towards the United Nations' target for Official Development Assistance (ODA) to make up 0.7% of gross national income (GNI) (which the UK plans to reach by 2013, two years ahead of the timetable agreed collectively by EU member states for meeting this target), and the effectiveness and transparency of aid.

Our analysis of the challenges of eliminating poverty, and our policies to respond to these, were most recently set out in the White Paper published in July 2006 (Cm 6876). Two previous White Papers were published in 1997 and 2000.

### *5.3 Performance measurement*

We measure the *resources we use for development* in two main ways:

- Spending from agreed resource budgets as reported in these accounts.
- UK Official Development Assistance (ODA), including as a proportion of UK Gross National Income (GNI).

DFID's final budget (Departmental Expenditure Limit) for 2007-08 was £5.3 billion, increased from £5.0 billion in 2006-07. The budget is planned to increase to £7.9 billion by 2010-11. This is an average annual increase of 11 per cent in real terms over the 2007-08 baseline.

ODA is a measure agreed by members of the Development Assistance Committee of the Organisation for Economic Co-operation and Development. Net costs reported in these accounts are a major part of ODA. However, ODA also includes items not reported in these accounts (e.g. equity investments made through CDC and ECGD debt relief) and is measured by calendar rather than financial years.

There is a longstanding target that donors' ODA should reach 0.7 per cent of GNI. In 2007, UK ODA is estimated at £4.96 billion, 0.36 per cent of GNI (2006: £6.77 billion, 0.51 per cent of GNI). The primary reason for the decline in UK ODA in 2007 is the result of lower levels of debt relief. In 2006 the UK gave more than £1.9 billion in debt relief, primarily to Nigeria and Iraq; this fell to £39 million in 2007. Despite the decline this year, the UK is on target to provide 0.7% by 2013. Our recent CSR settlement has laid out how we will meet our commitments year on year - 0.43% ODA/GNI in 2008, 0.48% ODA/GNI in 2009 and 0.56% ODA/GNI in 2010.

## *5.4 Outputs and outcomes*

We measure *the results we aim to achieve* and we manage our performance against Public Service Agreement (PSA) objectives and targets. The 2005–08 PSA has six objectives:

1. Reduce Poverty in Sub-Saharan Africa.

2. Reduce Poverty in Asia.

3. Reduce Poverty in Europe, Central Asia, Latin America, the Caribbean, the Middle East and North Africa.

4. Increase the impact of the international system in reducing poverty, preventing conflict and responding effectively to conflict and humanitarian crises.

5. Develop, support and promote policy that assists poverty reduction and the achievement of the MDGs.

6. Improve the impact and effectiveness of DFID's bilateral programme.

In Africa and Asia we assess progress towards the MDGs in 25 priority "PSA countries".

Annex 4 of the Annual Report 2008 provides more detail on the 2005-08 PSA objectives and targets and a report on progress. The Statement of Operating Costs by Departmental Aim and Objectives in the accounts shows how much we spent in 2007-08 against each of the main objectives. Note 8 to the accounts shows the average number of staff who worked on each objective in the year.

### 5.4.1 Delivery

We work with a wide range of partners and rely on a wide range of official, commercial and non-governmental delivery agents to achieve our aims. We regularly assess the performance of delivery agents and consider whether our partnerships and the channels we use are still the right ones and whether we should support different, or help create new, institutions.

In 2005, donors and partner countries agreed the "Paris Declaration on Aid Effectiveness". This outlined five partnership commitments to improve aid: *ownership* by partner countries of the development process; *alignment* by donors to country priorities, institutions and systems; *harmonisation* of donor support; *management for development results* to improve decision making and resource management; and *mutual accountability* of donors and partner governments for development results.

The Paris Declaration also includes a set of quantified targets, monitored bi-annually, which is used to assess progress and hold signatories accountable for achieving results. The first Paris Declaration survey was undertaken in 2006, and showed that performance is highly variable across partner countries, between donors and between indicators. The DAC analysis showed that DFID performed well on the Paris Declaration indicators in the 21 countries covered, having met three targets and being close to all the remaining targets. Chapter 5 of the Annual Report 2008 provides more detail on the Paris Declaration, and DFID's results from the 2006 survey.

### 5.4.2 Risks to delivery

There are significant risk factors which will affect whether or not the contributions we make will produce the results we aim to achieve. The main risks to the achievement of our goals include macro-economic trends in developed and developing countries and economic shocks, the impact on developing countries of climate change and conflict; major public health trends which affect development (such as avian flu or HIV/AIDS); and any potential weakening of commitment to poverty elimination by partner governments. We identify and monitor these and other risks; the

Management Board reviews how we should react to them, or respond where we can mitigate the risk; and systems for monitoring and managing risk are embedded at all levels in the organisation.

We also monitor and manage the risks arising from weakness or failure in DFID's own processes and systems, e.g. IT and financial. The Statement on Internal Control provides more detail on the management of risk.

**5.4.3 2007 Comprehensive Spending Review (CSR07)**

In addition to setting Budgets and spending plans for the years from 2008-09 to 2010-11, the CSR07 has seen significant changes made to the system of PSA targets across government. Thirty PSAs reflect a collective Government set of priorities. Each PSA has a lead Government Department but delivery relies on several Departments' contributions.

DFID will lead the delivery of the following PSA over the CSR07 period:

- Reduce poverty in poorer countries through accelerated progress towards the Millennium Development Goals.

DFID will also contribute to the following PSAs:

- Reduce the impact of conflict through enhanced UK and international efforts (lead department – Foreign & Commonwealth Office);
- Lead the global effort to avoid dangerous climate change (lead department – Department for Environment, Food and Rural Affairs);
- Reduce the risk to the UK and its interests overseas from international terrorism (lead department – Home Office);
- Ensure controlled, fair migration that protects the public and contributes to economic growth (lead department – Home Office).

Below the PSA structure sits the Departmental Strategic Objectives (DSOs), covering the totality of each Department's business. DFID has agreed the following DSOs over the CSR07 period:

- promote good governance, economic growth, trade and access to basic services;
- promote climate change mitigation and adaptation measures and ensure environmental sustainability;
- respond effectively to conflict and humanitarian crises and support peace in order to reduce poverty;
- develop a global partnership for development (beyond aid);
- make all bilateral and multilateral donors more effective;
- deliver high quality and effective bilateral development assistance;
- and improve the efficiency and effectiveness of the organisation.

**5.4.4 Capability Review**

In October 2005, the Cabinet Secretary, Sir Gus O'Donnell, announced to the Public Administration Select Committee that one of his key priorities as head of the Home Civil Service was to improve the capability of the civil service to meet today's delivery objectives and to be ready for the challenges of tomorrow.

He announced that he would work with Permanent Secretaries to develop departmental Capability Reviews that would both assess how well equipped departments are to meet these delivery challenges and provide targeted support to make any improvements required.

The report on DFID was published on 27th March 2007. It recognised DFID as a "world leader" and praised our "passionate and committed" staff. It commented on our clear mission, the high quality of our research, analysis and policy development and our sound business model. It recognised that there are challenges ahead for DFID, in particular as we operate increasingly in difficult environments. The review identified, for example, that we will need to make tough choices about our priorities and to step up our response on managing people and working with other parts of government.

DFID has responded with an Action Plan showing what we will do to step up our response over the next two years. We will:

- Have a clear vision for DFID, showing how we will prioritise and deliver effectively in a more complex world with limited administration resources.
- Strengthen DFID's culture of decision-making, accountability and challenge, led by the Management Board.
- Increase the flexibility of DFID's business processes to cope with risk and uncertainty.
- Continue to develop effective relationships across Whitehall and with other international development organisations.
- Communicate powerful arguments for international development.
- Further develop leadership, people management and financial management capabilities.

During 2007-08, DFID has:

- Agreed development of a leadership and management programme.
- Introduced more independent challenge to the management of the department through appointing the Independent Advisory Committee on Development Impact and two new non-executive directors to the Management Board.
- Established a new Investment Committee, which will ensure that DFID investments represent good value for money for UK taxpayers and that clear systems exist to take strategic financial decisions on the basis of evidence.
- Strengthened our Audit Committee to make it entirely non-executive, with several new members.
- Surveyed our main stakeholders to understand better how DFID is perceived and what we can do to make our relationships even stronger.
- Driven for greater and more diverse media coverage, better marketing to improve development awareness, and strengthened our direct outreach work. We are also improving our audience analysis so that we can track the resulting shifts in public awareness and support.

### *5.5 Current and future trends*

We continue to plan our activities in response to progress against the Millennium Development Goals (MDGs). However, progress is lagging in the majority of the goals, and sub-Saharan Africa, in particular, is off track to meet any of the targets by 2015. Current progress on the MDGs is reported at www.developmentgoals.org. The Annual Report 2008 also gives more details on the effectiveness of UK Aid in pursuing the MDGs.

We share a commitment by rich and poor countries to work together to deliver the MDGs. In 2005 the G8 agreed to double aid to Africa by 2010, with half of all additional resources going to Africa; to cancel all debts owed by the world's poorest countries to the International Monetary Fund (IMF) and the concessional arms of the World Bank and the African Development Bank; and EU Member States agreed new spending targets which will double aid to over US$80 billion by 2010, and increase it further to reach 0.7 per cent of gross national income by 2015.

UN Secretary General Ban ki-Moon has labelled 2008 as the year of the "bottom billion" – a year for critical action on the MDGs. The Call to Action was launched in July 2007 by the Prime Minister Gordon Brown in New York, speaking alongside the UN Secretary General Ban ki-Moon, to encourage the international community to accelerate progress on the MDGs. The Call to Action is about mobilising not just governments but private sector, NGOs, civil society, faith groups and cities to do more to deliver the MDGs; creating a momentum that will help deliver the MDGs through to 2015 . The UK government will continue to push forward the need for accelerated action at every possible opportunity in 2008 including through the G8 and EU. A pivotal moment will be a high-level meeting on the MDGs in September 2008, hosted by the UN Secretary General and the President of the General Assembly. The UK government are working to encourage this meeting to deliver a collaborative, international action plan to help put the MDGs back on track; and to agree a process of review that will maintain momentum on the MDGs to 2015.

## *5.6 Financial Review*

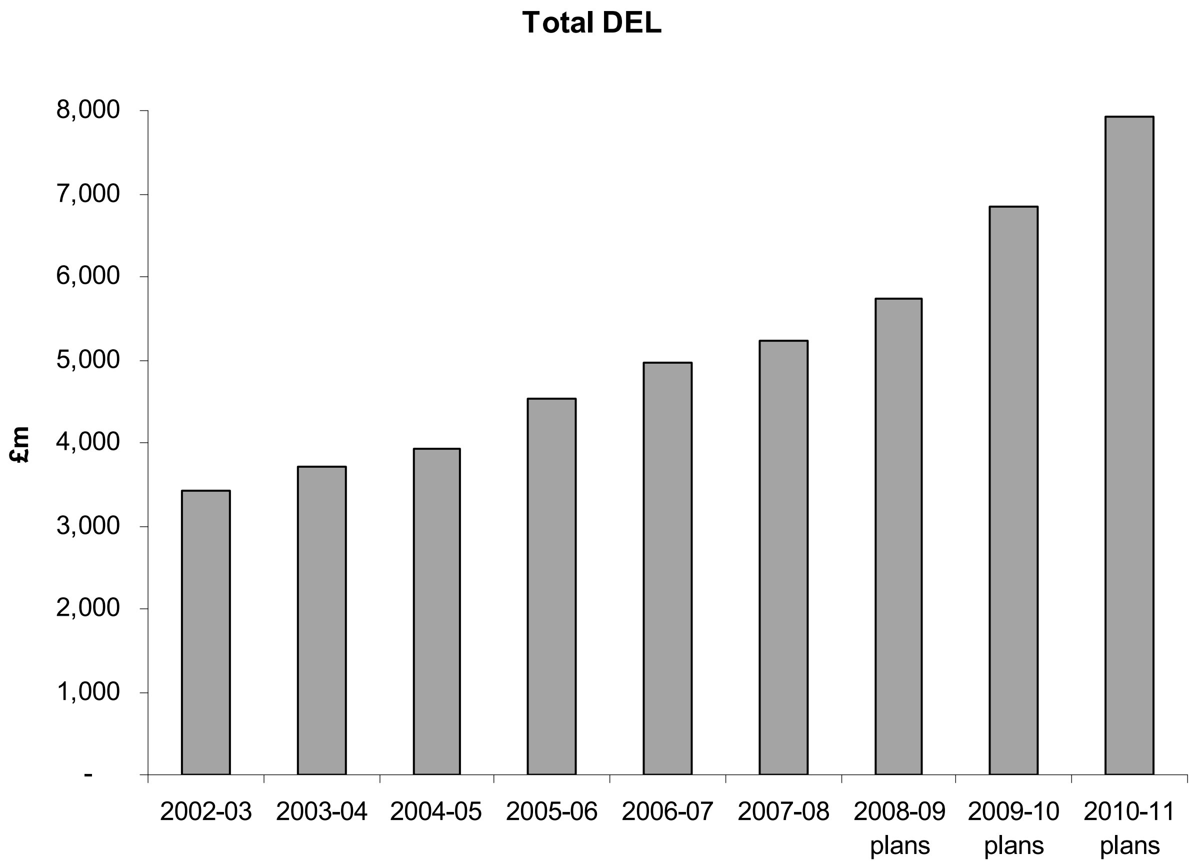
### 5.6.1 Resource budgets

DFID has two separate budget allocations within the total amount of public expenditure which are controlled through setting of Departmental Expenditure Limits (DEL). The two budgets are for net resource (current) spending (including a ring-fenced amount for administration costs) and for net capital expenditure. DFID has a separate budget allocation within the part of public expenditure controlled as Annually Managed Public Expenditure (AME).

DFID's total DEL budget for 2007-08 was £5.277 billion. The outcome of the 2007 Comprehensive Spending Review will see DFID's total DEL budget increase to £7.917 billion by 2010-11.

The chart below illustrates this increasing budget, showing total DEL outturn from 2001-02 to 2007-08, and the budgets for 2008-09 to 2010-11:

**Chart 1: Total DEL**



The following table shows the changes in budgets between allocations at April 2007 and final budgets for 2007-08:

| **Table 1: 2007-08 Changes in budgets** | | | | | |
|---|---|---|---|---|---|
| **£000** | **Resource DEL voted** [1] | **Resource DEL non-voted** | **Capital DEL** | **AME voted** | **AME non-voted** |
| | | | | | |
| **Original** | **3,883,228** | **753,884** | **643,250** | **87,260** | **(9,420)** |
| Transfers from non-voted to voted[2] | 38,119 | (38,119) | - | - | - |
| Take-up of End Year Flexibility | - | - | 15,000 | - | - |
| Transfers to other departments[3] | 4,518 | (4,945) | - | - | - |
| Classification changes [4] | (73,000) | - | 73,000 | - | - |
| Changes in forecast AME | - | - | - | 24,034 | - |
| **Final** | **3,852,865** | **710,820** | **731,250** | **111,294** | **(9,420)** |

1. Including depreciation.
2. Transfers from Departmental Unallocated Provision.
3. The original budget includes the full original budget for the Africa Conflict Pool: during the year resources were transferred to FCO and MoD and spent through their Estimates; DFID in turn received transfers from FCO which holds the original budget for the Global Conflict Pool.
4. Payments relating to debt relief have been reclassified to Capital DEL, but continue to score to Resource in Accounts and Estimates.

The resource DEL budget is divided between amounts voted in Estimates and non-voted amounts; the capital DEL budget and the AME budget are both voted in the Estimates. Outturn against the components of the DEL budget is shown in Table 2 below. Note 2 to the accounts is a detailed breakdown and comparison of outturn against Estimates provision for voted resource DEL and AME. Outturns shown below may differ from those shown in DFID's 2008 Annual Report and the Public Expenditure Outturn White Paper which were based on forecasts made before the end of the financial year.

| **Table 2: 2007-08 Final DEL budgets and outturn** | | | |
|---|---|---|---|
| **£000** | | | |
| **DEL** | **Budget** | **Outturn** | **Variance** |
| Voted Resource DEL: RfR 1 | 3,801,800 | 3,727,948 | 73,852 |
| Voted Resource DEL: RfR 2 | 51,065 | 42,672 | 8,393 |
| Consolidated Fund Extra Receipts | - | (2,569) | 2,569 |
| Non-voted DEL - EU attribution [1] | 701,400 | 701,400 | - |
| Other non-voted DEL[2] | 9,420 | 9,043 | 377 |
| Unallocated reserve | - | - | - |
| **Total Resource DEL** | **4,563,685** | **4,478,494** | **85,191** |
| *of which: Administration budget* | *232,010* | *215,041* | *16,969* |
| | | | |
| **Capital DEL (voted)** | **731,250** | **739,254** | **(8,004)** |
| Less: Depreciation | (18,010) | (12,908) | (5,102) |
| **Total DEL** [3] | **5,276,925** | **5,204,840** | **72,085** |
| AME (voted RfR 1) | 111,294 | 85,897 | 25,397 |
| AME (non-voted)[2] | (9,420) | (9,043) | (377) |

1. Latest forecast; the final charge to DEL budget will be based on later EU reports.
2. Payments to IFFIm score as non-voted near cash resource DEL, with a corresponding credit in non-voted AME to account for the release of provision.
3. Depreciation, which forms part of resource DEL is excluded from total DEL since capital DEL includes capital spending, therefore to include depreciation of the assets purchased would be double counting.

Total DEL outturn represents a 5.2% increase from 2006-07. The overspend on Capital DEL has arisen as a result of lower than expected loan receipts. Amounts will be vired from Resource DEL to cover this overspend.

Table 3 below shows a reconciliation of resource expenditure outturn between Estimates, Accounts and Budgets.

**Table 3: Reconciliation of resource expenditure between Estimates, Accounts and Budgets**

| **£000** | **2007-08** | **2006-07** |
|---|---|---|
| **Net Resource Outturn (Estimates)** | **4,548,820** | **4,720,205** |
| Operating income not treated as Resource A-in-A | (2,502) | (3,568) |
| Operating expenditure not included in voted Resource | - | - |
| Excess Operating A-in-A | (67) | (3,027) |
| **Net Operating Cost (Accounts)** | **4,546,251** | **4,713,610** |
| Non-voted DEL (EU attribution) | 701,400 | 665,000 |
| Other non-voted DEL | 9,043 | - |
| Capital Grants included above classified as Capital DEL in Budget | (691,108) | (702,901) |
| Loss on disposal of fixed assets classified as Capital DEL in budgets[1] | (1,196) | - |
| **Resource Budget Outturn (Budget)** | **4,564,390** | **4,675,709** |
| *of which:* | | |
| Departmental Expenditure Limit (DEL) | 4,478,494 | 4,272,130 |
| Annually Managed Expenditure (AME) | 85,897 | 403,579 |

1. Profits or losses on disposal of fixed assets score to Capital DEL from 2007-08, but continue to score to Resource within Estimates and Accounts.

### 5.6.2 Operating costs: Poverty Elimination

- DEL spending in the year increased in line with the increased budget provision agreed in the 2004 Spending Review. However, fluctuations in AME spending have resulted in total voted resource expenditure on poverty elimination reducing by 4 per cent to £4.50 billion (2006-07: £4.7 billion). The agreed non-voted deduction for aid spending by the EU was £701.4 million (2006-07: £665 million).
- The under spend against budget for Poverty Elimination (Request for Resources 1) was 2.2 per cent of the Estimate compared to 0.2 per cent in 2006-07. The main reason for the increased underspend was significant strengthening of the Euro towards the end of the financial year, impacting on the provision for IFFIm, and the value of loans denominated in Euros (see below for further details).
- The 2004 Comprehensive Spending Review White Paper stated that "this settlement will allow the UK to increase the bilateral aid to Africa to at least £1.25bn a year by 2007-08". In the Gleneagles communiqué this was also described as a commitment for the UK "to double its bilateral spending in Africa between 2003/04 and 2007/08" based on the 2003/04 resource outturn for Africa country spending of £625m reported in the 2004 DFID Annual Report and subsequent reports. Outturn on the same basis was £1269m based on £1189m of Africa division spending plus £80m of bilateral spending in Africa included in the Multilateral Aid effectiveness line in these accounts.
- Capital charges increased by 15 per cent, predominantly due to a large increase in the value of investments in IFIs.
- Administration costs have reduced by 12 per cent (£30 million). Included in 2006-07 is a one-off charge for £25 million due to the creation of a provision for a payment obligation due in 2014 on a leased property. Excluding this, underlying costs fell by 2.0 per cent. Salary costs within administration costs increased by 8 per cent, resulting from the annual indexation to salaries and a shift towards recruiting higher graded staff. Non-salary costs (excluding the £25m provision made in 2006-07) reduced by 9.3 per cent on 2006-07.
- Total staff costs, including staff attached full time to development projects and within conflict prevention RfR2, increased by 7 per cent. Costs per staff member (average employed in the year) were £42,982 (2006-07: £38,786).

**5.6.3 Operating Costs: Conflict prevention**

- Two joint Conflict Prevention Pools were set up in 2001-02 with the Foreign and Commonwealth Office and Ministry of Defence; these are subject to joint decision-making but with each department being accountable for those projects within its sphere of responsibility. Spending is recorded under Request for Resources 2. This programme also includes spending on the Post Conflict Reconstruction Unit which began work during 2005-06. Total spending by DFID was £43 million (2006-07: £33 million) against an Estimate of £51 million (2006-07: £40 million).

**5.6.4 Capital expenditure and Balance Sheet movements**

- Total net assets in the Balance Sheet increased by 9.7 per cent (£194 million), mostly reflecting upward revaluations of investments in IFIs of £402m, partly offset by increased promissory note creditors of £274m.
- In 2007-08 we spent £70 million on additions to fixed assets (2006-07: £25.4 million), which includes £44m for the recognition of a finance lease asset which was previously treated as an operating lease. We also added £7.1 million to loans & investments (2006-07: £6.3 million). We are continuing to make a significant fixed asset investment in IT equipment and systems which will contribute to improved effectiveness and efficiency.
- At 31 March 2008, DFID's tangible fixed assets were valued at £113 million (2005-06: £88 million). This represents our administrative assets and approximately 52 per cent relates to our freehold and leasehold assets. Assets used directly in the programme delivery of our business are defined as programme, or project, assets and do not appear on our Balance Sheet.
- The increase in the value of investments in International Finance Institutions (IFIs) of 18.7 per cent (£403 million) reflects equity increases of £293m and exchange rate gains of £110 million; the largest change being in investments in the European Bank for Reconstruction and Development (EBRD). See note 14 to the accounts for further details.
- Loan debtors increased by £4m as a result of the revaluation of a multilateral loan denominated in Euros, partly offset by repayments received; no new bilateral loans were made during the year. Prepayments and advances reduced by £14m to £96m (2006-07: £110m), reflecting a renewed emphasis on avoiding disbursing funds in advance of need.
- Creditors due within one year have increased by 18 per cent (£106 million) largely due to an increase in promissory note creditors. Creditors due after 1 year have also increased by 55 per cent to £582m (2006-07: £375m), reflecting an increase in promissory note creditors, and the recognition of a large finance lease during the year. The increase in promissory note creditors is mostly due to large deposits being made for the International Development Association (IDA) during 2007-08, which will be encashed over the next 3 years.
- Provisions have reduced to £337 million (2006-07: £438 million). This is mostly the result of utilisations and releases of previous provisions made:
  - The IFFIm provision has reduced from £318 million to £280 million as a result of new donor pledges to IFFIm made during 2007-08, and a strengthening Euro increasing the value of the pledges of some of the other donors (pledges are generally made in the donor's local currency, the overall liability is valued in US dollars). The combined effect of this has been to reduce the UK's share of IFFIm pledges from 65% to 47%. See note 20 to the accounts, and paragraph 5.7.4 below for further details.
  - A provision of £24.8m made in 2006-07 for a payment obligation at the end of the main lease term on a property occupied by a former Executive Agency of the Department has been released. The lease has been reclassified as a finance lease, with the resulting impairment of the leased asset being offset by the release of this provision.
  - The ATP provision has been reduced by £23m following confirmation that some credit agreements previously provided for were fully paid off.

- We report contingent liabilities as required under Financial Reporting Standard (FRS 12), see Note 28 to the accounts. For the purpose of parliamentary accountability we also report contingent liabilities which would not be shown under FRS 12 since the likelihood of a transfer of economic benefit is remote. These liabilities amount to £6,413.2 million (2006-07: £6,534.6 million).

**5.6.5 Variances**

Over and under spends against the Parliamentary Estimates are shown in Note 2 to the accounts. Over spends in some sections are offset by savings elsewhere in the Estimate. The reasons for variances over 10% were as follows:

***Eliminating poverty in poorer countries (DEL)***

- Rest of the World – 13% (£27m) over Estimate – this reflects increased aid to the Occupied Palestinian Territories not included in original forecasts.
- Multiple Objectives – 16% (£25m) under Estimate – this mostly reflects underspends within the Communications Division, where there were delays in implementing some new initiatives during the year.
- Central Departments – 19% (£17m) under Estimate. This mostly reflects reduced administration costs, primarily due to the main introduction of our new financial and project management system being delayed into 2008-09. This has resulted in lower than expected training costs in 2007-08, and lower than expected depreciation charges.

***Spending in Annually Managed Expenditure (AME)***

- Multiple objectives – 16% (£16m) over Estimate. Our cost of capital charges on investments in CDC and Actis are included here, which are dependent on the net asset values reported in the organisations' financial statements. The amount over the Estimate reflects higher than expected net assets for CDC Group.

- Grants to IFFIm – 487% (£49m) under Estimate. The provision for the International Finance Facility for Immunisations (IFFIm) is based on DFID's share of the outstanding bonds issued by IFFIm, this share being based on pledges made by donors. Movements in exchange rates, principally the strengthening Euro against the US dollar, have reduced DFID's share further than expected at the time of the Spring Supplementary Estimate. The reduction in provision has been credited to AME.

- Central Departments - £7m over Estimate. This relates to the revaluation of a property, where budgeting guidance allows the charge to be scored to AME. This charge was not foreseen at the time of preparing the Spring Supplementary Estimate. Amounts will be vired from elsewhere in AME to cover this charge.

***Conflict Prevention (DEL)***

- Africa – 25% (£6.2m) under Estimate. There were underspends across several Africa Conflict Prevention Pool projects, reflecting the difficulties of operating in conflict areas. Delays in appointing a Regional Conflict Adviser also meant some projects did not start as intended in 2007-08.

- Post conflict reconstruction – 20% (£1.6m) under Estimate. This small underspend reflects the difficulties of operating projects in hostile environments.

#### 5.6.6 Net Cash Requirement

The Outturn Net Cash Requirement in the Statement of Parliamentary Supply was 7.2 per cent below Estimate (2006-07: 4.7 per cent below). This is mainly due to a larger than expected increase in Promissory Note deposits outstanding at the end of the year.

### *5.7 Long term and future commitments*

In the course of its business, DFID discusses and formalises arrangements with partners and agents for projects and programmes which cover payments over a number of years. These are subject to various terms and conditions; transactions arising from these arrangements are recognised in these accounts when the transfers take place or conditions of grant are met.

#### 5.7.1 Comprehensive Spending Review 2007

Resources for the PSAs for the years 2008/09 to 2010/11 were allocated in the Comprehensive Spending Review 2007 (CSR07). During this period, DFID's budget will grow by an average of 11% in real terms, from £5.3 billion in 2007/08 to £7.9 billion by 2010/11. The CSR settlement builds on annual real growth to DFID's budget of 9.2% in Spending Review 2004 and 8.1% in Spending Review 2002.

UK Official Development Assistance (UK ODA) is projected to rise to £9.1 billion by 2010/11 – four times the amount in 1997 – and representing 0.56% of Gross National Income (GNI). This is in line with the European Union's commitment for its member states to reach collectively 0.56% ODA/GNI in 2010 and keeps the UK on track to reach its commitment of 0.7% GNI by 2013 – 2 years ahead of the EU's collective commitment to 0.7% GNI by 2015.

The extra resources secured in the CSR will enable us to increase spending in areas where the impact on international poverty and progress towards the MDGs will be the greatest. Detailed spending plans are set out in Annex 2 in the Annual Report 2008. Highlights include:

- our bilateral programme will increase from £2.2 billion in 2006/7 to £2.9 billion in 2010/11, with the increases concentrated in Africa. By 2010/11, we expect our bilateral programme in Africa to be £1.75 billion, more than double the £868 million we provided in 2004/5.
- our multilateral programme will increase from £2.4 billion in 2006/7 to £3.4 billion in 2010/11. Part of this increase will finance the commitment announced in December 2007 to provide £2.1 billion to the World Bank for the 15th replenishment of the International Development Association (see 5.7.7 below).

These spending plans will enable us to deliver on the Government's promises to:

- help accelerate progress towards the MDGs by providing £8.5 billion for education to 2015 and £1 billion towards the Global Fund for AIDS, tuberculosis and malaria;
- more than double multilateral and bilateral aid to Africa as pledged at Gleneagles, from £1.3 billion in 2004 to more than £3 billion by 2010;
- help more countries increase their rate of growth, by increasing support for aid for trade to £409m ($750 million) a year in 2010;
- help poor countries tackle climate change. DFID and Defra will provide £800 million to the international element of the Environment Transformation Fund (see 5.7.6 below);
- do more on conflict and security, including a new £200 million Stabilisation Aid Fund for immediate stabilisation activities alongside a single Conflict Prevention Pool to focus on longer-term conflict work. This has been set up to provide immediate assistance in the aftermath of conflict. DFID, FCO and MOD will be joint keyholders for this fund.

### 5.7.2 Poverty Reduction Budget Support

In 2007-08 we provided PRBS to 15 countries, totalling £634 million. Chapter 5 of the Annual Report 2008 describes our PRBS policy in more detail and provides figures for the PRBS we have formally indicated to countries we plan to provide: the figures indicated are £547 million in 2008-09, £451 million in 2009-10 and £423 million in 2010-11.

In February 2008 the National Audit Office published a report about DFID's use of budget support. The report is available on the NAO website. The report recognises the many benefits that budget support is providing including contributing to:

- increased expenditure on priority areas for poverty reduction;
- increased services available, particularly in health and education;
- better planning and more effective service delivery;
- stronger financial management systems;
- good economic management; and
- improved domestic accountability.

It also identified some areas where our practice can be improved including:

- setting clearer objectives and strengthening performance monitoring;
- more systematically monitoring commitment to human rights;
- further strengthening risk assessments including estimating the level of funds at risk through corruption and leakage; and
- building evidence about the impact of budget support on poverty reduction and growth.

### 5.7.3 Debt relief

Following a UK proposal agreed at the G8 summit in 2005, the World Bank and African Development Bank have agreed, under the Multilateral Debt Relief Initiative (MDRI), to cancel the debts of certain Heavily Indebted Poor Countries (HIPC) which have met relevant conditions. Donors have agreed to provide resources in future years to the International Development Association (IDA) and African Development Fund (AfDF) to replace the inflows the institutions would otherwise have received as debt service. In May and June 2006 Parliament authorised DFID to provide £592 million to IDA and £79 million to the African Development Fund over the years 2006-2016 for this purpose. Transfers to IDA and the AfDF will be recorded in these accounts as promissory notes are deposited or payments are made. Other amounts within the total authorised by Parliament are included in contingent liabilities with other amounts for agreed replenishments which have not yet resulted in deposit of promissory notes.

### 5.7.4 International Finance Facility for Immunisation

In September 2005, the UK and other donors agreed to provide resources to an International Finance Facility for Immunisation (IFFIm); this facility will front-load support to immunisation programmes by using funds borrowed on international markets with repayment guaranteed by government pledges. It is estimated that this facility could help save the lives of 5 million children over the next decade. The agreements for IFFIm were signed in July 2006. The UK has pledged a total of £1.38 billion through to 2026, representing 47% of the total amounts pledged at 31 March 2008. The first 5 year bonds of $1bn were issued in October 2006, with a 5% coupon, giving a total liability of $1.25bn. A further issue of ZAR 1.7bn was made in March 2008, giving a total liability including interest of £755m at 31 March 2008. The UK is therefore liable for £280m (in present value terms) at 31 March 2008, which will be covered by payment obligations through to 2016.

### 5.7.5 Advance Market Commitment

The Advance Market Commitment (AMC) is an innovative, market-based mechanism with the potential to save millions of lives by accelerating the development and production of vaccines for the world's poorest countries, vaccines that would not otherwise be available for many years. The first AMC will target pneumococcal disease, bringing potentially life-saving vaccines more quickly to 100 million children and preventing over 5 million deaths by 2030.

The pilot AMC for pneumococcal disease will provide $1.5 billion in future financial commitments to the poorest countries, giving them the purchasing power to buy a suitable vaccine at discounted prices when one becomes available. By creating a market for vaccines in the poorest countries, the AMC creates incentives for the pharmaceutical companies to invest in research, development and production capacity for new vaccines that serve the poor.

The pilot AMC was launched in February 2007, with commitments being made by Canada, Italy, Norway, Russia, the UK, and the Gates Foundation. The UK government has pledged $485m of the $1.5bn total, with formal agreements expected to be signed in 2008-09.

#### 5.7.6 Environmental Transformation Fund

In the 2007 Budget, Gordon Brown announced an £800 million international window of the Environmental Transformation Fund (ETF-IW) to reduce poverty through environmental protection, especially climate change. In the 2007 Budget £50 million was allocated to protect the rainforests of the Congo Basin and a further £50 million allocation for China was announced by the Prime Minister during his visit in January. The Fund is jointly managed by DFID and Defra and must meet two conditions; it must be scored as Official Development Assistance (ODA) and capital investment. DFID will spend £400m through the ETF-IW over the next three years.

#### 5.7.7 International Development Association (IDA)

The International Development Association (IDA) is the arm of the World Bank that works in around 80 of the poorest countries. IDA funding provides millions of people with education, healthcare, clean water, access to energy and economic opportunities. In December 2007, donors pledged a record £12.6 billion for the fifteenth replenishment of IDA (IDA 15). The UK pledged £2.134 billion, a 49% increase on our previous contribution.

#### 5.7.8 Other initiatives

The Government may also announce intentions for spending which will in due course be realised through more specific arrangements with partners and delivery agents.

Other indications of future plans are in the White Paper published in July 2006.

There were no other significant new risks or uncertainties such as potential environmental liabilities or contingent liabilities, during the year or subsequently, that materially affect DFID's future position.

### *5.8 Future business developments*

#### 5.8.1 2006 White Paper

The 2006 White Paper, published in July 2006, sets out our objectives over the next few years to:

- accelerate progress against Millennium Development Goals (MDGs), help countries, particularly those that risk falling ever further behind the rest of the world, do better in bringing security and managing conflict, stimulate rapid, fair and sustainable growth, and deliver basic services for all;
- improve governance; help governments and citizens make politics work for the poor, and work to ensure the international economy supports country development;
- address natural resources issues and climate change in developing countries; and
- improve the effectiveness of international institutions to ensure the international system is fit for the 21st century.

In parallel, we prepared for the 2007 CSR by carrying out a series of reviews designed to maximise the impact and effectiveness of our programme spending and improve operational efficiency in Corporate Services, policy and operational work and in country office management. The findings of these reviews informed the CSR discussion.

### *5.9 Financial Instruments*

The department's overall approach to the management of risk is described in the Statement on Internal Control. The department is funded from Parliamentary Supply with funds provided through Paymaster and therefore has no significant exposure to either liquidity or cash-flow risk. The department's equity interest in CDC Group plc is subject to market performance and currency risk: numerical disclosures and a description of measures taken to manage these risks are in CDC's own financial statements. DFID's ownership interest in International Financial Institutions and part of the loan portfolio are denominated in foreign currencies and subject to currency risk. In line with HMG policy, DFID does not undertake any hedging or derivative transactions to manage this risk. Numerical disclosures required by Financial Reporting Standard (FRS) 13 are included in relevant notes showing the value of financial instruments. As permitted by FRS 13, these disclosures do not cover short-term debtors or creditors.

### *5.10 Payment of Suppliers*

DFID is committed to the Better Payment Practice Code. In line with Government policy, DFID's procurement procedures comply with BS 7980, the British Standard for achieving good payment performance in commercial transactions. Our aim is to pay bills in accordance with agreed contractual conditions, or where no such conditions exist, within 30 days of receipt of the goods or services or the presentation of a valid invoice. The percentage of invoices settled within the 30-day period in financial year 2007-08 was 96 per cent (2006-07: 96 per cent). One payment of £216 in respect of interest was paid during 2007-08 under the Late Payment of Commercial Debts (Interest) Act 1988.

### *5.11 Efficiency*

Our target from the Spending Review 2004 was to achieve £420 million of sustainable efficiencies by the end of 2007-08. We have exceeded our target, delivering £588 million efficiency gains by March 2008. Gains were accumulated through:

- more effective spending;
- improvements in the performance of projects and programmes;
- more streamlined processes and systems;
- reducing our headcount; and
- relocating posts from London to East Kilbride.

Further details of targets and outturn are in Annex 7 of the Departmental Report 2008.

We aimed to reduce headcount (UK-based staff) from a revised baseline of 1,907 in 2004-05 to 1,610 at 31 March 2008. Actual headcount at 31 March 2008 was 1,612, slightly above the target. We have a similar target for Staff Appointed in Country (SAIC) to reduce headcount from 1,162 to 950 which was met by September 2005 when we reached a total of 914 staff. SAIC headcount at 31 March 2008 had reduced further to 843. We also exceeded, by 3, our target of relocating a further 85 posts from London to East Kilbride. Voluntary early departure terms were made available to a limited number of staff in 2005-06, 2006-07 and 2007-08. Within 2007-08, 88 staff agreed departure dates under this scheme. Costs of £2.0 million for early departure costs are included within programme expenditure.

Increasing the Department's Value for Money (VfM) remains at the core of our business management over Comprehensive Spending Review 2007 (CSR07) and beyond. CSR07 requires all Government Departments to deliver at least 3% annual net cash-releasing savings over the total budget over the three year period. DFID will deliver £492 million in efficiencies per year by the end of 2010/11. We expect to achieve this with reforms which will: increase the poverty relieving impact of multilateral and bilateral spending decisions; improve the quality of bilateral projects and programmes to ensure they meet their objectives; and make cashable savings by reducing administration costs. Our new VfM Delivery Agreement was published on DFID's website in December 2007.

## 6. Staffing and related issues

We are committed to recruiting people with the right attributes (skills, knowledge and behaviours) in an efficient and responsive way. All appointments are made on merit on the basis of fair and open competition in accordance with the Civil Service Commissioners' Recruitment Code. DFID is also accredited under the Disability Two Ticks Scheme, which guarantees an interview for applicants with disabilities.

There continues to be clear accountability and strong top management support and leadership for diversity from the Management Board and Diversity Champions. Overall accountability for diversity rests with the Management Board.

All directors sign off in their annual directors' statement that their team members are aware of DFID's legal obligations under the Public Sector Equalities Duties and that polices take account of equality principles.

We have raised staff awareness of the new extended definition of disability and this has helped towards the percentage rise of UK based staff with a declared disability, from 2.8% last year to 3.7% this year.

In April 2007 the last of the three public duty equality schemes was published (Gender Equality Scheme). We now have equality schemes and associated action plans for race, disability and gender, all of which comply with UK legislation.

We have four staff networks: for women, ethnic minority, those interested in disability issues and most recently for lesbian, gay, bisexual and transgender (LGBT) staff. A number of seminars and awareness raising activities have been organised - for example the ethnic minority network has arranged a personal effectiveness workshop for junior black minority ethnic staff. We have agreed clearly defined roles and responsibilities for the Disability Forum Network (DFN) management group - coaching and mentoring sessions have been provided for individuals in this group. Disability confidence training has been arranged for members of the DFN. A vision statement and information leaflet about the DFN is included in our corporate induction packs.

We launched Diversity e-learning modules, 'Same Difference', in September 2007 to help staff understand the background to equality and diversity legislation and their responsibilities. Early figures show that 10% of staff have used this tool and the feedback has been very positive. We have recently added six DVDs covering age, disability, gender, race, religion or belief and sexual orientation to our diversity resource centre. The DVDs use thought provoking case studies to look at the misconceptions and prejudices around diversity. The tools are useful for creating discussions at team events on handling difficult situations in the workplace.

We have developed a simplified and easy to use Equality Impact Assessment toolkit 'Making Diversity Work for Everyone' to ensure that relevant UK policies and practices are evaluated for any adverse impact on equality and diversity.

Leadership and Management skills continue to be a key priority for DFID staff. We have devised a range of development modules for Leaders and Managers at all levels covering people, project and financial management skills. This is part of a wider programme to improve Leadership across the organisation which will also look at rewards, incentivisation and talent management.

Details of arrangements for pension provision for employees are given in Note 8 to the Accounts. Pension arrangements for Ministers and senior staff are set out in the Remuneration section of this Report.

### *6.1 Health and Safety*

DFID is committed to providing a safe and healthy workplace and work environment for all staff, to helping all staff understand their duty of care, to act appropriately at all times and to achieving high standards of health and safety throughout our offices.

The Permanent Secretary recognises and accepts responsibility for providing a healthy workplace and DFID's policy with respect to the health and safety at work of employees complies with the Health and Safety at Work etc Act 1974. Directors, Heads of Department, Heads of Overseas Offices, Managers, Supervisors and staff will give due care and attention to matters concerning the health, safety and welfare of those who may be affected by their acts, omissions or operational decisions, while working for or on behalf of DFID, by assessing the impact of their decisions and taking appropriate action to mitigate any identified issues or hazards.

DFID has established an overall Health and Safety Committee which consists of representatives of management and staff whose function is to promote and develop measures to ensure health and safety at work and to check their effectiveness. Equally, it is the duty of every member of staff to take reasonable care for the health and safety of themselves and of their colleagues or other persons who may be affected by their actions at work and to co-operate with DFID managers to enable them to fulfil statutory requirements.

Over the last year we have been continuing our work on tackling work-related stress through our Better Balance Campaign and have delivered workshops in many of our overseas offices. We are also about to introduce our new Health & Safety Management System software which will be a central repository for all our health and safety data.

### *6.2 Environmental Policy*

DFID remains strongly committed to the Sustainable Operations on the Government Estate targets launched in June 2006.

We have established Environment Management Systems (EMS) in both our UK offices and during 2007 we rolled out the principles of an EMS based on ISO 14001 to three of our main overseas offices.

We also continued to work with the Carbon Trust to finalise the best options for renewable technology on site at both our UK offices. DFID has also achieved accreditation to the Energy Efficiency Accreditation Scheme (EEAS), successfully demonstrating:

- management commitment to energy efficiency
- investment, both actual and planned, in energy efficiency measures
- a record of progressive improvement in energy efficiency

Examples of initiatives undertaken in 2007-08 to reduce carbon emissions include:

- introduction of air miles targets to reduce air miles flown by 5%;
- upgrading and expansion of our Video Conferencing facilities by almost 20% to reduce the need for staff travel;
- All printers were upgraded, reducing the overall number of printers by 37%. The new printers also use as much as 50% less energy during peak usage.

The Sustainable Development Commission reported during 2007 that DFID has shown excellent progress towards embedding sustainability into its procurement activities and polices. DFID uses the flexible framework to assess its performance as well as a planning tool to guide implementation of key sustainable procurement actions.

# 7. Corporate Governance

## *7.1 Permanent Head of Department and Management Board*

Dr Nemat Shafik, Permanent Secretary and Principal Accounting Officer, is the official Head of Department. She was appointed by the Prime Minister on the recommendation of the Head of the Home Civil Service, with the agreement of the Secretary of State for International Development. Her appointment to DFID is an extendable term appointment under the terms of the Senior Civil Service Contract. Provisions for termination are those in Chapter 11 of the Civil Service Management Code.

DFID has an 8-member Management Board:

- Nemat Shafik, chair (appointed to current position in March 2008; appointed to Board in September 2002)
- Mark Lowcock, Director General, Country Programmes (appointed to current position in April 2008; appointed to Board in April 2003)
- Sue Owen, Director General, Corporate Performance (appointed to current position in April 2006; appointed to Board in April 2006)
- Martin Dinham, Acting Director General, International (appointed to current position in April 2008; appointed to Board in December 2007)
- Andrew Steer, Acting Director General, Policy and Research (appointed to current position in April 2008; appointed to Board in April 2008)
- Sam Sharpe, Director, Finance and Corporate Performance (appointed to current position in March 2007, appointed to Board in April 2008)
- David MacLeod, Non-Executive Director (appointed to Board in November 2007)
- Doreen Langston, Non-Executive Director and chair of Audit Committee (appointed to Board in January 2008)

In December 2007, Suma Chakrabarti, Permanent Secretary DFID left to take up the post of Permanent Secretary at the Ministry of Justice. For the period December 2007 to March 2008, Sue Owen held the position of Acting Permanent Secretary, pending a substantive appointment.

In July 2007, Helen Ghosh ended her term as a non-executive member of the Management Board. She is now Permanent Secretary at the Department for Environment, Food and Rural Affairs.

On 31 March 2008, Bill Griffiths left the Management Board as a non-executive member and stepped down as chair of the Audit Committee.

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.

Remuneration of Management Board members is determined in line with the recommendations of the Senior Salaries Review Body. Details of the remuneration of Ministers and most senior managers are given in the Remuneration Report below. Board members are expected to notify and register any existing or potential conflicts of interest with the Board Secretary.

DFID observes the Code of Good Practice on Corporate Governance in Central Departments. The Management Board operates collectively to review the performance of DFID. It has agreed objectives and plans its work on a cycle so that it regularly considers the strategic policies and resource allocation decisions, and management of risk, on which it is advised by the Audit Committee.

Each quarter, the Board receives reports on the performance of the department as a whole and of key operational units against agreed objectives, and of financial budgets and forecasts for the year as a whole.

### *7.2 Board Committees*

The Board is supported by six committees: for Audit, Human Resources, Security, Development Policy, Investment and Senior Civil Service (SCS) Management and Pay. Each of the Committees has agreed terms of reference and is chaired by a member of the Board. The Board receives and reviews annual reports from each Committee about its work.

The Audit Committee has undergone further changes in 2007-08 in line with the Treasury Handbook on good practice. Following the recruitment of two further non executive members, in addition to the appointment of Doreen Langston as the new Chair, the Committee is now fully independent with a good range of expertise and skills. The Finance Director and Head of Internal Audit Department attend most Audit Committee meetings, but not as members. Some members only meetings are also held. As part of its work, the Committee decides the programme of, and considers reports from, the Internal Audit Department which operates in accordance with Government Internal Audit Standards.

### *7.3 Review of performance*

The Board reviews its performance and those of its sub-committees each year. In 2007/08 the Board continued to focus on communicating the vision, role, direction and priorities of DFID to staff and other stakeholders and DFID was flagged as a role model to many in the Capability Review Process. Key recent initiatives include the injection of outside experience from the new Non Executive Directors, and the establishment of the new Investment Committee.

Staff have the opportunity to observe meetings of the Board and its Committees, other than the SCS committee which discusses sensitive HR issues. Country offices are encouraged to view meetings via video facilities; and the Board's annual review of Directors' Performance Frameworks are web cast. Except where confidential, papers considered by the Board, and minutes of meetings, are published on DFID's intranet and on the DFID external web pages.

### *7.4 Skills and Experience*

Members of the Board are appointed to provide an appropriate range of skills and experience. The Board has placed special emphasis on enhancing its finance skills in the recent period. The appointment of the Finance Director brings the total of qualified accountants on the Board to three. The creation of the Investment Committee is also an important vehicle for addressing value for money in the organisation. New members of the Board are appointed through open and transparent procedures. Given the small size of the Board, induction programmes for new members are tailored to individual needs, based on past experience.

DFID considers that the two non-executive members are appropriately independent of the Department. Non-executive Directors are given terms of reference as part of their contract, informed of the processes for performance appraisal and given a full induction programme. The Permanent Secretary has periodic meetings with the Non-Executive Directors.

DFID believes that the Board is adequately configured to deal with financial management issues, including members with skills in the measurement and management of performance and financial resources.

# 8. Remuneration Report

## *8.1 Remuneration Policy*

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

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

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

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

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

Further information about the work of the Review Body can be found at www.ome.uk.com.

## *8.2 Service Contracts*

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

The officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Nemat (Minouche) Shafik was on secondment from the World Bank for the period 1 October 2004 until 2 March 2008. Nemat remained on the World Bank terms and conditions during the period of the secondment. She took up a permanent and pensionable appointment on 3 March 2008 when she became the Permanent Secretary of the Department.

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk.

### *8.3 Salary and pension entitlements (audited)*

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

#### 8.3.1 Remuneration

| **Ministers** | **2007-08** | | **2006-07** | |
|---|---|---|---|---|
| | Salary (£) | Benefits in kind (to nearest £100) | Salary (£) | Benefits in kind (to nearest £100) |
| Hilary Benn *Secretary of State* | 24,037 (76,904 full year equivalent) | - | 75,963 | - |
| Douglas Alexander *Secretary of State* (from 29/6/07) | 57,678 (76,904 full year equivalent) | - | N/A | N/A |
| Gareth Thomas *Parliamentary Under Secretary of State* | 30,280 | - | 29,909 | - |
| Shriti Vadera *Parliamentary Under Secretary of State* (from 30/6/07 until 23/1/08) | 41,606 (70,986 full year equivalent) | - | N/A | N/A |
| Gillian Merron *Parliamentary Under Secretary of State* (from 24/1/08) | 5,047 (30,280 full year equivalent) | - | N/A | N/A |
| Shahid Malik *1 *Parliamentary Under Secretary of State* (from 30/6/07) | - | - | N/A | N/A |

*1 No salary paid from the department as this PUSS appointment is above the Ministerial quota.

The above figures show only payments made by the Department and recorded in these accounts.

| **Management Board** | **2007-08** | | **2006-07** | |
|---|---|---|---|---|
| | Salary £'000 | Benefits in kind (to nearest £100) | Salary £'000 | Benefits in kind (to nearest £100) |
| Suma Chakrabarti *Permanent Secretary* (until 7/12/07) | 125-130 (165-170 full year equivalent) | - | 170-175 | - |
| Nemat (Minouche) Shafik *Permanent Secretary* (from 3/3/08) | 170-175*1<br>15-20*2 (195-200 full year equivalent ) | - | 155-160 | - |
| Mark Lowcock *Director General* | 135-140 (120-125 full year basic salary) | - | 120-125 | - |
| Sue Owen *Director General* | 130-135*3 (105-110 full year basic salary) | - | 100-105 (105-110 full year equivalent) | - |
| Martin Dinham *Acting Director General* (from 3/12/07) | 40-45 (120-125 full year equivalent) | - | N/A | N/A |
| Masood Ahmed *Director General* (until 30 April 2006) | N/A | N/A | 30-35 (160-165 full year equivalent) | - |

*1 On secondment to DFID, salary was paid directly from the World Bank until 2 March 2008. This amount reflects the reimbursement of these costs from DFID to the World Bank.

*2 Salary paid since starting permanent and pensionable appointment on 3 March 2008.

*3 Sue Owen was Acting Permanent Secretary from 8 December 2007 to 2 March 2008, and was paid at the entry point of the Permanent Secretary scale during that period (£145,000-£150,000).

Members of the Management Board are eligible to receive fixed amount performance related bonuses. During 2007-08, these equated to an average of approximately 10% of total remuneration.

'Salary' above includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

During 2007-08, the following fees were paid to non-executive members of the Board:

- Bill Griffiths - £7,500 (2006-07 £11,500)
- David MacLeod - £5,750 (appointed November 2007)
- Doreen Langston - £7,250 (appointed January 2008)

This presentation is based on payments made by the Department and thus recorded in these accounts. In respect of ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration; the salary for their services as an MP (£61,820 from 1 November 2007, £61,181 from 1 April 2007, £60,277 from 1 November 2006, £59,686 from 1 April 2006) and various allowances to which they are entitled are borne centrally.

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. There were no benefits in kind provided by the Department.

### 8.3.2 Pension Benefits *(audited)*

| **Ministers** | Accrued pension at age 65 as at 31/3/08 | Real increase in pension at age 65 | CETV at 31/3/08 | CETV at 31/3/07 | Real increase in CETV |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Hilary Benn *Secretary of State* (until 28/6/07) | 5-10 | 0-2.5 | 65 | 61 | 2 |
| Douglas Alexander *Secretary of State* (from 29/6/07) | 5-10 | 0-2.5 | 53 | 43 | 3 |
| Gareth Thomas *Parliamentary Under Secretary of State* | 0-5 | 0-2.5 | 27 | 20 | 2 |
| Shriti Vadera *Parliamentary Under Secretary of State* (from 30/6/07 to 23/1/08) | 0-5 | 0-2.5 | 8 | 0 | 4 |
| Gillian Merron *Parliamentary Under Secretary of State* (from 24/1/08) | 0-5 | 0-2.5 | 29 | 28 | 1 |
| Shahid Malik *1 *Parliamentary Under Secretary of State* (from 30/6/07) | - | - | - | - | - |

*1 No salary paid from the department as this PUSS appointment is above the Ministerial quota, therefore there is no pension disclosure required.

#### *Ministerial pensions*

Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute (the regulations are set out in Statutory Instrument SI 1993 No 3253, as amended).

Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). The arrangements for Ministers provide benefits on an 'average salary' basis, taking account of all service as a Minister. The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those that chose to backdate the change) but Ministers, in common with all other members of the PCPF, can opt for a 1/50th accrual rate and a lower rate of employee contribution.

Benefits for Ministers are payable at the same time as MP's benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office from age 65. Pensions are increased annually in line with changes in the Retail Prices Index. Members pay contributions of 6% of their ministerial salary if they have opted for the 1/50th accrual rate or 10% of salary if they have opted for the 1/40th accrual rate. There is also an employer contribution paid by the Exchequer representing the balance of cost as advised by the Government Actuary. This is currently 26.8% of the ministerial salary.

The accrued pension quoted is the pension the Minister is entitled to receive when they reach 65, or immediately on ceasing to be an active member of the scheme if they are already 65.

***The Cash Equivalent Transfer Value (CETV)***

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total ministerial service, not just their current appointment as a Minister. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

***The real increase in the value of the CETV***

This is effectively the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the Minister and are calculated using common market valuation factors for the start and end of the period.

***(Audited)***

| **Management Board** | Accrued pension at age 60 as at 31/3/08 and related lump sum | Real increase in pension and related lump sum at age 60 | CETV at 31/3/08 | CETV at 31/3/07 *1 | Real increase in CETV |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Suma Chakrabarti<br>*Permanent Secretary*<br>(until 7/12/07) | 45-50 plus lump sum of 140-145 | 0-2.5 plus lump sum of 5-7.5 | 816 | 738 | 34 |
| Nemat (Minouche) Shafik<br>*Permanent Secretary*<br>(from 3/3/08) | 0-5 | 0-2.5 | 3*2 | - | 3 |
| Mark Lowcock<br>*Director General* | 30-35 plus lump sum of 100-105 | 2.5-5 plus lump sum of 7.5-10 | 557 | 436 | 46 |
| Sue Owen<br>*Director General* | 35-40 plus lump sum of 115-120 | 5-7.5 plus lump sum of 15-17.5 | 790 | 593 | 109 |
| Martin Dinham<br>*Acting Director General*<br>(from 3/12/07) | 45-50 plus lump sum of 140-145 | 0-2.5 plus lump sum of 2.5-5 | 1,125 | 1,056 | 24 |
| Masood Ahmed #1 *Director General* (until 30 April 2006) | - | - | - | - | - |

*1 The calculator used by the Cabinet Office to calculate CETV has been significantly revised, resulting in comparatives for 2006-07 changing from previously published figures.

*2 CETV at 3/3/08

None of the officials named above are members of a partnership pension scheme.

***Civil Service Pensions***

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

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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

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

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk.

***Cash Equivalent Transfer Values***

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

***Real increase in CETV***

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

## 9. Information Assurance

Unlike many other Government Departments, DFID does not manage large quantities of personal or sensitive data. However, when we do need to manage this data, we take our responsibilities very seriously, and have done so for many years. During 2007, we have put into place a new governance structure within DFID for information security, we have assessed and monitored our information risks at Board level, and we have ensured compliance with relevant guidance and instructions from elsewhere in Government. DFID has had a secure remote working system based on encrypted laptop computers for home workers and travelling staff since 2003.

In March 2008, DFID achieved accreditation to ISO/IEC 27001:2005, the internationally recognised standard for information security management. This was the result of a sustained effort over past years to improve our information security management.

The tables below provide information on specific types of incidents involving protected personal data. Incidents, the disclosure of which would in itself create an unacceptable risk of harm, may be excluded in accordance with the exemptions contained in the Freedom of Information Act 2000 or may be subject to the limitations of other UK information legislation.

| **TABLE 1: SUMMARY OF PROTECTED PERSONAL DATA RELATED INCIDENTS FORMALLY REPORTED TO THE INFORMATION COMMISSIONER'S OFFICE IN 2007-08** | |
|---|---|
| No incidents were reported | |
| Further action on information risk | The Department will continue to monitor and assess its information risks in order to identify and address any weaknesses, and ensure continuous improvement of its systems. |

| **TABLE 2: SUMMARY OF OTHER PROTECTED PERSONAL DATA RELATED INCIDENTS 2007-08** |
|---|
| The Department had no incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office, but recorded centrally within the Department. |

| **TABLE 3: YEAR-ON-YEAR TOTAL NUMBERS OF PROTECTED PERSONAL DATA RELATED INCIDENTS PRIOR TO 2007-08** |
|---|
| Between 2004-05 and 2007-08 the Department had no incidents reported to the Information Commissioner, or deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office, but recorded centrally within the Department. |

## 10. Auditors

These accounts are audited by the Comptroller and Auditor General. Through her staff, DFID's Accounting Officer has taken all the steps that he ought to have taken to make herself 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.

Fees charged were £235,000 for the audit of the main account and £26,500 for other audit services.

## 11. Post Balance Sheet Events

The Department for International Development Resource Accounts' are laid before the Houses of Parliament by HM Treasury. FRS 21 requires DFID to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are despatched by the Department for International Development to HM Treasury.

The authorised date for issue is 8 July 2008.

Nemat Shafik 4 July 2008
Accounting Officer for the Department for International Development

# Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Department for International Development to prepare, for each financial year, resource accounts detailing the resources acquired, held or disposed of during the year, and the use of resources by the Department during the year.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and of its net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

In preparing the accounts I am 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 accounts;
>
> prepare the accounts on a going concern basis.

HM Treasury has appointed me, as Permanent Secretary, Principal Accounting Officer for the Department for International Development. 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 department's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in *Managing Public Money*.

Nemat Shafik
Accounting Officer for the Department for International Development 4 July 2008

# Statement on Internal Control

***Scope of responsibility***

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

Senior managers take an active lead to support and promote improvements in risk management. Ministers decide on high-level policy risks based on advice from officials. The Secretary of State takes decisions on the Department's overall policy, and key components of policy, on the basis of submissions which usually include an assessment of risk. There are clear lines of delegation covering both policy and expenditure.

*DFID's operating environment*

The development world and DFID's operating environment is becoming increasingly complex. Much of DFID's work is in high risk environments. Staff must be safeguarded, financial controls must take account of weak governance systems in development partner organisations, and the impact of investments on poverty cannot be guaranteed. DFID's systems are designed to provide a consistent level of assurance in the UK and overseas, but often have to use local controls in difficult environments to achieve this.

The risks to the Department's performance include:

- failure of DFID's stewardship including financial and resource management risks. DFID operates a single system of financial accounting, management and procurement in its offices in the UK and overseas. Each office is expected to comply with UK professional and HM Treasury standards. In this decentralised structure, where each office is responsible for local recruitment and training of administrative staff, management works to ensure that each office has the right mix of financial management skills, that there is a common culture of financial management across the whole organisation and that there are robust measures against corruption and fraud. A major update to DFID's corporate financial systems is currently being taken forward under the ARIES programme. By automating more financial management functions, this will reduce risks of non-compliance;

- security and staff safety. Government offices and the staff who work in them are sometimes at risk of criminal and terrorist attack and need appropriate protection. Physical environments in which we operate are more challenging than the UK and measures are needed to safeguard health and safety;

- delivery and impact. The process of change in developing countries is complex, and it is not always easy to predict the impact of development interventions. Risks which may affect the delivery of benefits or reduce the impact of programmes are identified, monitored and, where possible, mitigated;

- efficiency and management improvement. Specific internal projects to improve DFID's efficiency, for instance through the introduction of new IT and transformation of human resource systems, bring risks which require specialist risk management;

- working with partners. There are many different ways to support development, each with their own specific risks. DFID can work with partner governments, multilaterals, civil society and other bilateral donors. We can also procure goods and services ourselves, fund projects, or provide financial resources directly to partners. Some development programmes involve disbursement to partners who manage finances under their own systems of internal control. In some countries DFID's funds are given to the host government directly as Poverty Reduction Budget Support (PRBS) and accounted for through their public financial management systems. There are particular risks associated with this approach and DFID uses specific Fiduciary Risk Assessments (FRAs) and monitoring to ensure control;

- DFID has 100% ownership of CDC Group plc and 40% ownership of Actis LLP, the terms of these arm's length relationships are set out in frameworks covering governance and accountability, investment policy (for CDC), decision making and reporting.
- fragile states. In some countries, such as Afghanistan and Iraq, a combination of the above risk areas makes control especially difficult. Such environments are often subject to rapid and unpredictable change, conflict or post conflict reconstruction, and limited local governance. DFID's control systems must be robust enough to cope with operations in these circumstances.

***The purpose of the system of internal control***

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in DFID for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

***Capacity to handle risk***

I chair the DFID Management Board which has overall responsibility for leading on risk management for both strategic level risks and key delivery risks. The Board has adopted a risk management policy and ensures that staff throughout DFID have the skills and resources necessary to manage risks appropriate to their level of authority and duties.

Risk management is integrated at all levels:

- at the corporate level, the Management Board takes direct responsibility for strategic and key delivery risks. The Board maintains a Corporate Risk Register (CRR) to record high-level risks and the mitigation actions being taken to address those risks. A review of the CRR linked to wider horizon scanning and future scenarios work resulted in the addition of three top threats during the year. These cover the UK's response to disasters overseas, risk management in multilateral partners, and access and control of data;
- Divisional Directors manage risk in their divisions. Divisional Performance Frameworks were presented to the Management Board by Directors during January to March 2008 and incorporate risk analysis and management similar to the CRR.
- at country level, risk assessment is part of the country planning process; typically based on three year plans which are reviewed annually. All country plans are quality assured by a cross Divisional Country Planning Review Committee;
- risk is assessed during planning and design of programmes and projects, and reviewed at least annually during implementation. Programme managers are responsible for risk management and receive training, guidance and technical support from Finance and Corporate Performance Division;
- Internal Audit Department undertakes financial audits throughout DFID and leads on the implementation of fraud policies;
- Policy and guidance on Poverty Reduction Budget Support were updated and published in January 2008. A rigorous system of external scrutiny to ensure quality control of fiduciary risk assessments (FRAs) was established in November 2007 and a "How to Note" published in January 2008.

DFID maintains web-enabled guidance on mandatory rules and procedures in the Essential Guide to Rules and Tools (The Blue Book) complemented by further examples, information and "How to" notes in the Best Practice Guide. The Blue Book covers a range of corporate activities including project cycle management from identification and design to implementation, monitoring and evaluation. The rules and procedures are continuously reviewed and updated and are used at all levels of management.

A primary responsibility of DFID's country offices is the regular monitoring of all projects and programmes. The offices overseas enable DFID to maintain close and regular contact with programme implementers, and to review progress on the ground. DFID's mandatory system of internal project monitoring incorporates learning from experience and identifying good practice. The system is further enhanced by country level studies by Evaluation Department which review long term impact and performance against objectives and are based on DAC evaluation criteria. Both monitoring and evaluation lead to updates in the Blue Book and Best Practice Guide to allow on-line dissemination of best practice to all staff.

The work of the Evaluation Department is scrutinised by an independent panel of experts, the Independent Advisory Committee on Development Effectiveness.

***The risk and control framework***

High level controls include a formal corporate governance and internal control system detailing the aims and principles through which DFID conducts its business. This includes procedures and manuals setting out operational and financial procedures and delegated authorities, codes and standards expected of staff, an anti-fraud strategy and response plan including a whistle blowing policy to enable staff and the public to report concerns over any aspect of DFID's business.

DFID's control framework is set by the Management Board under advice from the Audit Committee, Internal Audit Department and Finance and Corporate Performance Division. Specifically, the Board has established:

- a clear policy framework within which risks are identified, managed and regularly reviewed;
- guidance to staff, partners and the public on DFID's attitude to risk, with specific identification of very low risk appetite areas such as staff security, fraud and corruption;
- clear prioritisation of risks and mitigation measures;
- guidance and training to staff on assessing, managing and monitoring risks;
- internal auditing and controls to ensure compliance with policies and procedures;
- regular horizon scanning to identify potential changes in DFID's operating environment and opportunities to expand influence.

Management and control systems are established according to the type of risk.

- Financial and resource management risks.

An Audit Committee, comprising five non-executive members including the Chair who sits on the Management Board, leads on ensuring that DFID is a financially sound organisation. The Committee is constituted according to Treasury Handbook best practice, is fully independent and draws on a good range of skills and expertise.

Financial controls, including procurement systems, are regularly reviewed and audited by Internal Audit Department, and are currently being strengthened by implementation of ARIES. A fraud response unit investigates and makes recommendations on all fraud allegations.

- Security and staff safety.

Security issues were reviewed during 2007 and an action plan for further improvements agreed by the Management Board in January 2008. Some actions have already been undertaken, including reconstituting the Security Committee to oversee changes. All UK and overseas offices have security plans which are reviewed and updated regularly. Contingency plans have been drawn up for offices overseas and in the UK for threats to the security and effectiveness of our staff and key systems overseas and where possible to maintain continuity of operations. In relation to personal data security, in March 2008 DFID achieved accreditation to ISO/IEC 27001:2005, the internationally recognised standard for information security management.

- Delivery and impact.

An Investment Committee was formed in March 2008. Its role is to ensure that DFID investments represent good value for money for UK taxpayers and that clear systems exist to take strategic financial decisions on the basis of evidence.

All programmes with a commitment value over £1 million are assessed for risk and monitored at least annually. The assessment considers both immediate risks as well as longer term risks which could affect the sustainability of benefits. DFID uses its project monitoring information database (PRISM) to monitor risk to the portfolio at many levels, including by programme type, by sector, by country and by region. The introduction of the ARIES reporting system is being used to enable the recording and analysis of further detail in risk assessments and information on trends. Directors use the system to track the portfolio of programmes under their delegated authority.

- Efficiency and management improvement.

Major internal projects such as Catalyst and HR transformation are subject to special scrutiny. Development and procurement infrastructure and IT systems comply with standard Government procedures that require full risk assessment and risk management processes. Programme and project management disciplines are observed, including appointing a Senior Responsible Owner, who reports to a Project Board overseeing such new developments.

- Working with partners: using DFID's management systems.

DFID works with partner governments, multilaterals, civil society and other bilateral donors. Where DFID procures goods and services directly we have strong procurement capacity and appropriate strategies to ensure best procurement practice. In June 2008 the Office of Government Commerce published the report of a Procurement Capability Review of DFID. We will implement its Action Plan during the next two years. All projects and programmes are subject to our own risk and control framework. Where we engage with multilaterals and civil society the reporting, monitoring and auditing are subject to scrutiny as set out in the Blue Book.

- Working with partners: using partner government systems.

Poverty Reduction Budget Support (PRBS) can be a highly effective form of aid, but involves particular risks where local financial management systems are weak. We have established systems for assessing and monitoring fiduciary risk in relation to PRBS. Before providing PRBS, we work with partner governments and other donors to undertake thorough fiduciary risk assessments, and to ensure that there is a credible programme of reform to address identified weaknesses in public financial management (PFM). We ensure that these programmes of reform have adequate support. In many cases, DFID supports PFM reform directly in countries where we provide budget support. PFM reform programmes typically include support to the audit function.

Each year, country offices providing PRBS carry out systematic reviews of both fiduciary risk and progress on strengthening local systems. These assessments inform the risk reporting of the responsible Directors. We recognise that sometimes it can take several years before PFM reforms result in strengthened systems and reduced risk. Where weaknesses in the assurance available through national systems persist, we carry out supplementary monitoring procedures, including public expenditure monitoring by DFID and other development partners, but we recognise there is scope for further improvement in this area. We will continue to report separately to Parliament and others through the Department's Annual Report on the wider impact and effectiveness of PRBS, as well as on fiduciary and public financial management issues.

- Fragile states.

DFID developed guidance on scenario and contingency planning in fragile states. This was in response to the 2007 Capability Review which noted the need for greater focus on risk management as DFID expands activities in fragile states. The approach was tested in certain fragile states from September 2007 and, following a review, has been expanded to all affected overseas offices.

***Review of effectiveness***

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Department, who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the results of my review of the system of internal control by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The effectiveness of the system of internal control was maintained and reviewed through:

- the Management Board which met regularly to consider strategic direction and performance against objectives. The Board receives Quarterly Management Reports on performance and approves and advises Ministers on the recommendations of the annual internal resource allocation exercise;
- a network of sub-Committees to support the main Board whose Terms of Reference, workplans and performance are reviewed by the Board on an annual basis to complement on-going dialogue throughout the year;
- an Audit Committee, a fully independent committee of five non executive members, provides assurance to me by monitoring and reviewing the risk, control and governance systems in the organisation, and the associated assurance processes. The Committee provides oversight and guidance, where necessary, on the work of Finance and Corporate Performance Division. It also reviews the work programme of Internal Audit Department, discusses external audit strategies, and provides a key interface between DFID and the National Audit Office;
- Internal Audit Department (IAD) who provide an independent and objective opinion on the adequacy of systems of risk management, control and governance, by measuring and evaluating their effectiveness in achieving DFID's objectives. In addition, IAD's findings and recommendations are beneficial to line management in the audited areas;
- a specialist fraud response unit within the Internal Audit Department;
- all Directors providing me with an annual statement covering identification and management of risk and an assurance on compliance with management and control systems. These statements include key performance data, an outline of action planned to remedy shortfalls in expected performance and a reconsideration of delivery risks. Directors' assurance statements are informed by departmental systems on management of performance and by in-year monitoring of these systems including sample testing;
- the work of the external auditor in forming an opinion on the financial statements and in reporting the results of value for money examinations relating to DFID's activities.

I am satisfied with the overall control environment that has been in place in DFID for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts; that any weaknesses have been properly assessed; and that appropriate action has been taken to address them.

The operating environment for DFID will remain in many cases a challenging one. However, we will continue to attach high priority to identifying and managing the risks we face in the best way possible.

Nemat Shafik 4 July 2008
Accounting Officer for the Department for International Development

# 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 for the year ended 31 March 2008 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

***Respective responsibilities of the Accounting Officer and auditor***

The Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, the information which comprises the management commentary, included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

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

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

***Basis of audit opinions***

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

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

***Opinions***

*Audit Opinion*

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2008, and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information which comprises the management commentary included within the Annual Report, is consistent with the financial statements.

*Opinion on Regularity*

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

*Report*

I have no observations to make on these financial statements.

*T J Burr*

*Comptroller and Auditor General*
*National Audit Office*
*151 Buckingham Palace Road*
*Victoria*
*London*
*SWIW 9SS*
*8 July 2008*

## Statement of Parliamentary Supply

### Summary of Resource Outturn 2007-08

| | | Estimate | | | Outturn | | | 2007-08 £000 Net total outturn compared with Estimate saving/ (excess) | 2006-07 £000 Outturn |
|---|---|---|---|---|---|---|---|---|---|
| **Request for Resources** | **Note** | **Gross expenditure** | **A in A** | **Net Total** | **Gross expenditure** | **A in A** | **Net Total** | | **Net total** |
| Eliminating Poverty in Poorer Countries | 2 | 4,617,405 | 10,061 | 4,607,344 | 4,513,174 | 7,026 | 4,506,148 | 101,196 | 4,687,216 |
| Conflict Prevention | 2 | 51,065 | - | 51,065 | 42,672 | - | 42,672 | 8,393 | 32,989 |
| Total Resources | 3 | 4,668,470 | 10,061 | 4,658,409 | 4,555,846 | 7,026 | 4,548,820 | 109,589 | 4,720,205 |
| Non-operating cost A in A | | - | 40,343 | 40,343 | - | 25,360 | 25,360 | 14,983 | 26,565 |

### Net cash requirement 2007-08

| | Note | Estimate | Outturn | 2007-08 £000 Net total outturn compared with Estimate saving/ (excess) | 2006-07 £000 Outturn |
|---|---|---|---|---|---|
| Net Cash Requirement | 4 | 4,500,367 | 4,174,970 | 325,397 | 4,083,801 |

### Summary of Income payable to the Consolidated Fund

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

| | | Forecast 2007-08 | | Outturn 2007-08 | |
|---|---|---|---|---|---|
| | **Note** | **Income £000** | ***Receipts £000*** | **Income £000** | ***Receipts £000*** |
| Total | 5 | (500) | *(500)* | (2,569) | *(2,569)* |

Variances of Estimate against Outturn by objective are given in Note 2 and explanations of significant variances are provided in the Management Commentary within the Annual Report.

The Notes on pages 43 to 67 form part of these accounts.

## Operating Cost Statement

*For the year ended 31 March 2008*

| | Note | Staff costs | Other costs | Income | 2006-07 |
|---|---|---|---|---|---|
| | | | 2007-08 £000 | | £000 |
| **Administration Costs** | | | | | |
| **Eliminating Poverty in Poorer Countries** | | | | | |
| Staff Costs | 8 | 102,507 | | | 94,748 |
| Other admin costs | 9 | | 123,067 | | 160,755 |
| Operating income | 11 | | | (5,241) | (5,169) |
| **Conflict Prevention** | | | | | |
| Staff Costs | 8 | 1,220 | | | 1,215 |
| Other admin costs | 9 | | 1,684 | | 1,734 |
| Operating income | 11 | | | - | - |
| **Programme Costs** | | | | | |
| **Eliminating Poverty in Poorer Countries** | | | | | |
| Staff Costs | 8 | 3,975 | | | 4,951 |
| Programme Costs | 10 | | 4,283,625 | | 4,430,996 |
| Income | 11 | | | (4,287) | (5,660) |
| **Conflict Prevention** | | | | | |
| Staff Costs | 8 | 38 | | | 38 |
| Programme Costs | 10 | | 39,730 | | 30,002 |
| Income | 11 | | | (67) | - |
| **Totals** | | 107,740 | 4,448,106 | (9,595) | |
| **Net Operating Cost** | 3(a) | | | **4,546,251** | **4,713,610** |

All expenditure and income relates to DFID core department.
All income and expenditure are derived from continuing operations.
There were no material acquisitions or disposals in the year.

## Statement of Recognised Gains and Losses

*for the year ended 31 March 2008*

| | 2007-08 £000 | 2006-07 £000 |
|---|---|---|
| Net gain/(loss) on revaluation of fixed asset investments | 402,427 | (59,235) |
| Gain on revaluation of tangible fixed assets | 331 | 262 |
| Loss on revaluation of tangible fixed assets | (18) | (68) |
| Total recognised gains and losses for the financial year | 402,740 | (59,041) |

## Balance Sheet
*as at 31 March 2008*

| | Note | 31-Mar-2008 £000 | £000 | 31-Mar-2007 £000 |
|---|---|---|---|---|
| **Fixed Assets** | | | | |
| Tangible Assets | 12 | 113,008 | | 88,313 |
| Intangible Assets | 13 | 1,105 | | 1,588 |
| Investments | 14 | 3,322,561 | | 2,920,358 |
| | | | **3,436,674** | **3,010,259** |
| Debtors falling due after more than one year | 15 | | **219,743** | **224,178** |
| **Current Assets** | | | | |
| Debtors and Prepayments | 16(a) | 157,340 | | 149,658 |
| Cash at Bank and in hand | 17 | (17,377) | | 6,867 |
| | | **139,963** | | **156,525** |
| Creditors (amounts falling due within one year) | 18(a) | (685,591) | | (580,052) |
| **Net Current Liabilities** | | | **(545,628)** | **(423,527)** |
| **Total Assets less Current Liabilities** | | | **3,110,789** | **2,810,910** |
| Creditors (amounts falling due after one year) | 18(a) | (582,403) | | (375,490) |
| Provisions for Liabilities and Charges | 20 | (336,863) | | (437,515) |
| | | | **(919,266)** | **(813,005)** |
| | | | **2,191,523** | **1,997,905** |
| **Taxpayers Equity** | | | | |
| General Fund | 21 | | 1,013,691 | 1,222,409 |
| Revaluation reserve | 22 | | 1,177,832 | 775,496 |
| | | | **2,191,523** | **1,997,905** |

Nemat Shafik
Accounting Officer for the Department for International Development 4 July 2008

## Cash Flow Statement
*For the year ended 31 March 2008*

| | Note | 2007-08 £000 | 2006-07 £000 |
|---|---|---|---|
| Net cash outflow from operating activities | 23(a) | (4,163,864) | (4,073,627) |
| Capital expenditure and financial investment | 23(b) | (8,537) | 5,177 |
| Payment of amounts due to the Consolidated Fund | | (14,669) | (13,241) |
| Financing | 23(d) | 4,162,826 | 4,075,380 |
| Decrease in cash in the period | 17 | (24,244) | (6,311) |

## Statement of Operating Costs by Departmental Aim and Objectives

*For the year ended 31 March 2008*

| Aim | 2007-08 Gross £000 | 2007-08 Income £000 | 2007-08 Net £000 | 2006-07 Gross £000 | 2006-07 Income £000 | 2006-07 Net £000 |
|---|---|---|---|---|---|---|
| 1. Africa | 1,260,180 | (234) | 1,259,946 | 1,139,654 | (1,726) | 1,137,928 |
| 2. Asia | 801,046 | (120) | 800,926 | 811,046 | (1,405) | 809,641 |
| 3. Europe, Central Asia and elsewhere | 256,512 | (610) | 255,902 | 225,898 | (1,107) | 224,791 |
| 4. Impact of multilateral agencies | 1,809,569 | (26) | 1,809,543 | 2,238,667 | (3,093) | 2,235,574 |
| 5. Evidence based policy | 204,731 | (33) | 204,698 | 71,389 | (138) | 71,251 |
| 6. Other and unclassifiable | 223,808 | (8,572) | 215,236 | 237,785 | (3,360) | 234,425 |
| **TOTAL** | **4,555,846** | **(9,595)** | **4,546,251** | **4,724,439** | **(10,829)** | **4,713,610** |

DFID's Aim is to Eliminate Poverty in Poorer Countries through achievement of the Millennium Development Goals.

Within this it has the following objectives:

1. Reduce poverty in sub Saharan Africa (includes target shared for conflict reduction shared with FCO and MOD).
2. Reduce poverty in Asia.
3. Reduce poverty in Europe, Central Asia, Latin America, the Caribbean, the Middle East and North Africa.
4. Increase the impact of key multilateral agencies in reducing poverty and effective response to conflict and humanitarian crises (includes target for debt relief shared with HM Treasury and target for reduction in trade barriers shared with FCO and DTI).
5. Develop evidence-based, innovative approaches to international development.

Numbers of staff employed by objective are shown in Note 8. Some support and other activities cannot readily be allocated to objectives and have been shown as a separate line.

Capital Employed by objective is shown in Note 24.

# Notes to the Financial Statements

## 1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2007-08 *Financial Reporting Manual (FReM).* The particular accounting policies adopted by DFID are described below. Policies have been applied consistently in dealing with items considered material in relation to the accounts.

### 1.1 Accounting Convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of fixed assets at their value to DFID by reference to their current costs and the revaluation of fixed asset investments by reference to their current estimated value.

### 1.2 Coverage of Accounts

These accounts cover the activities of DFID only. DFID is the sponsor department for CDC Group plc (CDC), a self-financing Public Corporation and Actis llp, a fund management company. CDC and Actis results are not consolidated in these accounts since under FReM rules Public Corporations are outside the departmental resource accounting boundary. DFID's ownership interest is recognised in fixed asset investments.

In line with FReM rules on activities charged direct to the Consolidated Fund, the primary statements in these accounts do not include amounts attributed to DFID for the purpose of public expenditure control to reflect spending on development activities by the European Community from the EC budget. The EC also supports development activities through the extra-budgetary European Development Funds (EDF). UK contributions to EDF are included in programme expenditure in the Operating Cost Statement.

### 1.3 Value Added Tax (VAT)

Expenditure is shown net of VAT where output tax is charged or input tax is recoverable. Amounts owed to or by HM Revenue & Customs for VAT at the balance sheet date are included in creditors and debtors. Irrecoverable VAT is included in amounts shown in the relevant expenditure category or included in the capitalised purchase cost of fixed assets.

### 1.4 Foreign Exchange

Transactions in foreign currencies are accounted for at the sterling equivalent at the exchange rate for the date of each transaction. Realised gains and losses on transactions, including discharge of creditors where the obligation is expressed in foreign currency, are charged or credited to operating costs. Fixed asset investments and other balance sheet items where the underlying value is expressed in foreign currencies are re-translated into sterling at the exchange rates for the balance sheet date. Changes in value arising from exchange rate movements are dealt with as part of other changes in value (Note 1.7).

### 1.5 Fixed Assets

Title to freehold land and buildings is held in the name of, or on behalf of, the Secretary of State for International Development. Land and buildings are shown at current cost based on professional valuations carried out at not more than five year intervals.

Refurbishments to freehold and leasehold properties are capitalised at the actual costs incurred. Other tangible fixed assets are recognised in the accounts where they are used for general administration and acquired from administrative or programme capital funds. Asset costs include salaries and expenses of departmental staff arising directly from the development, construction and acquisition of the asset. Tangible fixed assets do not include items purchased from programme expenditure on behalf of overseas governments and others with the intention that ownership will in due course be transferred to them.

Fixed assets are capitalised above a threshold of £1,000 for individual assets. Items of office and domestic furniture and IT equipment and systems, some of which may individually cost less than £1,000, are capitalised on a grouped basis. IT systems in development (and other assets under construction) are capitalised on the basis of actual costs incurred during the period until the work is completed and the asset is available for use and reclassified accordingly.

Fixed assets are valued at current replacement cost.

**1.6 Depreciation**

Freehold land is not depreciated. Depreciation is provided on other tangible fixed assets on a straight line basis over the remaining useful lives of the assets. Depreciation on improvements to leaseholds and systems under development is provided from the point at which these come into use. The useful lives for main asset categories are as follows:

| | |
|---|---|
| Office accommodation (freeholds) | 30 years |
| Domestic property (freeholds) | 20 years |
| Improvements to freeholds | 15 years |
| Improvements to leaseholds | Over the remaining term of the lease |
| Motor vehicles | 5 years |
| Office and domestic furniture and equipment | Mainly at 5 and 10 years |
| IT equipment | 1 to 3 years |
| IT systems | Over individually assessed estimated useful lives |

**1.7 Investments**

Investments include the United Kingdom interest in certain International Financial Institutions (IFIs). Shares in these bodies are not traded securities and these investments are valued on the basis of the UK share of the net assets attributable to shareholders taken from audited accounts taking account of any further contributions to capital during the year.

Increases in the value of investments, including those arising from retranslation to sterling of underlying values of investments which account in foreign currencies or from market movements, are taken to revaluation reserve. Reductions in value are taken to revaluation reserve to the extent that value is no lower than that at which assets were taken into the balance sheet, or to the extent that the reduction below this cost is judged to be of a temporary nature which will be recovered in the medium term. Permanent impairments below this cost are charged to the operating cost statement.

In accordance with the FReM, investments in public corporations falling outside the resource accounting boundary are recognised at cost.

### 1.8 Intangible Assets

Software licences are valued at purchase cost or replacement cost if materially different. Depreciation is provided on a straight line basis over the life of the licence.

### 1.9 Long Term Loans

Loans to overseas governments, including a portfolio of public sector loans managed for DFID by Actis llp, are shown at realisable principal values net of provisions. These provisions include amounts which the UK has formally agreed will not be repaid under a programme to convert loans to grants. Repayments forecast to be made within one year are included in debtors.

### 1.10 Stocks

DFID does not hold material levels of stock items. Purchases of stock items such as stationery and office supplies are charged to the operating cost statement when acquired.

### 1.11 Cash: Third Party Monies

Cash balances in the primary statements exclude amounts held for third parties as custodian or trustee but in which neither DFID nor Government more generally has a direct beneficial interest. Amounts held at the balance sheet date are disclosed by way of note.

### 1.12 Provisions

Provisions are made where at the balance sheet date DFID has present obligations from past events to make future transfers of economic benefit and reasonable estimates of the value of the obligations can be made.

Where the time value of money is material, provisions are stated at discounted amounts.

### 1.13 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with FRS12 the department 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 £100,000 (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 the Department entering into the arrangement;

(b) all items (whether or not they arise in the normal course of business) over £100,000 (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 resource accounts.

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

### 1.14 Administration and Programme Expenditure

The operating cost statement illustrates administration and programme costs. Administration costs are those which fall within the administration cost control regime, together with associated operating income. Income is analysed between that which, under the regime, is allowed to be offset against gross administrative costs in determining the outturn against the administrative cost limit and other operating income.

Programme costs reflect payments of grants and other disbursements by the department and certain staff costs where they relate directly to service delivery.

### 1.15 Research and development

Expenditure by DFID from programme budgets in support of research and development is charged to the operating cost statement in the period in which it is incurred.

### 1.16 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by DFID, the asset is recorded as a tangible fixed asset and a liability is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Operating Cost Statement over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the Operating Cost Statement over the term of the lease.

### 1.17 Capital charge

Operating costs include a charge for the cost of capital utilised by the department. The charge is calculated at the government's standard rate of 3.5 per cent on all assets less liabilities except for assets and liabilities for amounts due from or due to be surrendered to the Consolidated Fund and cash balances, where the charge is at a nil rate, and investments in public corporations where the charge is at a percentage rate agreed with the Treasury applied to net assets of the corporation.

### 1.18 Grants payable

Grants payable which are provided to support a particular activity or expenditure are recognised in the period in which the activity or expenditure occurs provided eligibility criteria have been met and a reasonable estimate of the amount can be made. Criteria vary with the terms and conditions of individual grant agreements.

Grants made to governments or international organisations where UK contributions are pooled with others and cannot therefore be matched directly with particular activities or expenditures are recognised in the period when agreed conditions for payment have been met.

In certain cases, grant contributions to international organisations are made in the form of promissory notes. The full amount of the promissory note is recognised as an expense in the period in which the note is deposited. Amounts not drawn down in cash from promissory notes at the balance sheet date are included in creditors.

### 1.19 Pensions

Most past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a multi-employer defined benefit scheme and is un-funded. Liability to pay future benefits is a charge on the PCSPS rather than DFID; in accordance with FRS17, contributions by DFID are accounted for as for a defined contribution scheme. The expected cost of providing pensions is recognised on a systematic and rational basis over the period which benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Details of rates and amounts of contributions during the year are given in Note 8.

### 1.20 Early Departure Costs

DFID is responsible for the additional cost of benefits up to normal retirement age for employees who retire early. These costs are provided in full as an expense in the operating cost statement (within programme costs from 2007-08, previously within administration costs) when early retirements have been agreed and arrangements are binding. In previous years part of the liability has been covered by an advance payment to the pension paying body (Office of the Paymaster General). Liability for future payments is shown under provisions net of amounts accounted for by such advance payments.

## 2. Analysis of Net Resource Outturn by section

| | Outturn | | | | | | Estimate 2007-08 £000 | | 2006-07 £000 |
|---|---|---|---|---|---|---|---|---|---|
| | Admin | Other current | Grants | Gross resource Expenditure | A in A | Net total | Net Total | Net Total outturn compared with Estimate | Prior year outturn |
| **Eliminating Poverty in Poorer Countries (DEL)** | | | | | | | | | |
| A: Sub-Saharan Africa | 51,432 | 147,710 | 1,042,651 | 1,241,793 | (217) | 1,241,576 | 1,279,550 | 37,974 | 1,096,605 |
| B: Asia | 30,707 | 88,289 | 682,050 | 801,046 | (120) | 800,926 | 799,500 | (1,426) | 780,416 |
| C: Rest of the World | 18,142 | 51,710 | 162,376 | 232,228 | (560) | 231,668 | 204,350 | (27,318) | 203,353 |
| D: Multilateral Aid effectiveness | 16,138 | 97,873 | 1,601,346 | 1,715,357 | (26) | 1,715,331 | 1,749,162 | 33,831 | 1,787,084 |
| E: Innovative Approaches to Development | 21,007 | 140,575 | 43,149 | 204,731 | (32) | 204,699 | 194,278 | (10,421) | 69,505 |
| F: Multiple Objectives | 6,279 | 13,003 | 116,778 | 136,060 | (42) | 136,018 | 161,000 | 24,982 | 228,678 |
| G: Central Departments | 74,869 | 5,879 | - | 80,748 | (6,029) | 74,719 | 91,910 | 17,191 | 111,281 |
| H: Gibraltar Social Insurance Fund | - | - | 15,315 | 15,315 | - | 15,315 | 16,300 | 985 | 6,716 |
| **Spending in Annually Managed Expenditure (AME)** | | | | | | | | | |
| J: Multiple objectives | - | 117,621 | - | 117,621 | - | 117,621 | 101,294 | (16,327) | 91,459 |
| K: Grants to IFFIm | - | (38,725) | - | (38,725) | - | (38,725) | 10,000 | 48,725 | 312,119 |
| L: Central Departments | 7,000 | - | - | 7,000 | - | 7,000 | - | (7,000) | - |
| **Non- budget** | | | | | | | | | |
| EU Research Grants (Net) | - | - | - | - | - | - | - | - | - |
| **Total RfR1** | **225,574** | **623,935** | **3,663,665** | **4,513,174** | **(7,026)** | **4,506,148** | **4,607,344** | **101,195** | **4,687,216** |
| **Conflict Prevention (DEL)** | | | | | | | | | |
| A Africa | - | 1,002 | 17,386 | 18,388 | - | 18,388 | 24,608 | 6,220 | 13,765 |
| B Global | - | 5,399 | 12,241 | 17,640 | - | 17,640 | 18,180 | 540 | 14,018 |
| C Post conflict reconstruction | 2,904 | 731 | 3,009 | 6,644 | - | 6,644 | 8,277 | 1,633 | 5,206 |
| **Total RfR 2** | **2,904** | **7,132** | **32,636** | **42,672** | **-** | **42,672** | **51,065** | **8,393** | **32,989** |
| **Total RfR 1&2** | **228,478** | **631,067** | **3,696,301** | **4,555,846** | **(7,026)** | **4,548,820** | **4,658,409** | **109,588** | **4,720,205** |

An explanation of variances between between Estimate and Outturn are included in the Management Commentary.

## 3. Reconciliation of outturn to net operating cost and against Administration Budget

### 3 (a) Reconciliation of net resource outturn to net operating cost

| | Note | Outturn | Supply Estimate | 2007-08 £000 Outturn compared with Estimate | 2006-07 £000 Outturn |
|---|---|---|---|---|---|
| Net Resource outturn | 2 | 4,548,820 | 4,658,409 | (109,589) | 4,720,205 |
| Operating income not treated as Resource A in A | 5 | (2,502) | - | (2,502) | (3,568) |
| Excess Operating A-in-A | 5 | (67) | - | (67) | (3,027) |
| Net Operating Cost | | 4,546,251 | 4,658,409 | (112,158) | 4,713,610 |

A reconciliation between Resource Outturn shown in these accounts and Resource Budget is included in table 3 in the Management Commentary within the Annual Report.

### 3 (b) Outturn against final Administration Budget

| | Budget | 2007-08 £000 Outturn | 2006-07 £000 Outturn |
|---|---|---|---|
| Gross Administration Budget | 237,012 | 220,282 | 258,451 |
| Income allowable against the Administration Budget | (5,000) | (5,241) | (2,500) |
| Net Outturn against the final Administration Budget | 232,012 | 215,041 | 255,951 |

## 4. Reconciliation of resources to cash requirement

| | Note | Estimate | Outturn | Net total Outturn compared with Estimate saving/(excess) |
|---|---|---|---|---|
| | | £000 | £000 | £000 |
| Resource Outturn | | 4,658,409 | 4,548,820 | 109,589 |
| Capital | | | | |
| Acquisition of fixed assets: | 12 & 13 | 77,343 | 70,029 | 7,314 |
| Additions to loans and investments | 14 & 15 | - | 7,135 | (7,135) |
| Non-operating A in A | | | | |
| Loan Repayments | | (40,290) | (25,121) | (15,169) |
| Proceeds of fixed asset disposals | | (53) | (239) | 186 |
| Accruals adjustments | | | | |
| • Cost of Capital charges | 9 & 10 | (159,953) | (164,467) | 4,514 |
| • Depreciation | 9 | (18,010) | (12,587) | (5,423) |
| • Other non-cash items | | (260) | 24,461 | (24,721) |
| • New provisions | 20 | 1,500 | 47,408 | (45,908) |
| • Use of provisions | 20 | 25,470 | 53,244 | (27,774) |
| • Other changes in working capital | 19 | (43,789) | (166,800) | 123,011 |
| Changes in creditors falling due after more than one year | | - | (206,913) | 206,913 |
| **Net cash requirement** | | 4,500,367 | 4,174,970 | 325,397 |

An explanation of variances between Estimate and Outturn is included in the Management Commentary.

## 5. Analysis of income and receipts payable to the Consolidated Fund

| | | Forecast 2007-08 | | Outturn 2007-08 | |
|---|---|---|---|---|---|
| | | Income | *Receipts* | Income | *Receipts* |
| | Note | £000 | *£000* | £000 | *£000* |
| Operating income - excess A in A | 6 | - | - | (67) | *(67)* |
| Other operating income not classified as A in A | | - | - | (2,502) | *(2,502)* |
| Subtotal | | - | - | (2,569) | *(2,569)* |
| Non-operating income - excess A in A | 7 | - | - | - | - |
| Other non-operating income not A in A | | - | - | - | - |
| | | - | - | - | - |
| Other amounts collectable on behalf of the Consolidated Fund | | (500) | *(500)* | - | - |
| Total income payable to the Consolidated Fund | | **(500)** | ***(500)*** | **(2,569)** | ***(2,569)*** |

Actual receipts surrenderable to the consolidated fund were £2,568,890.98.

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

| | Note | 2007-08 £000 | 2006-07 £000 |
|---|---|---|---|
| **RfR1 - Eliminating poverty in poorer countries** | | | |
| Operating income | 11 | (9,528) | (10,829) |
| Income authorised to be Appropriated in Aid | | 10,061 | 4,233 |
| Operating income payable to the Consolidated Fund | | - | (6,596) |
| **RfR2 - Conflict Prevention** | | | |
| Operating income | 11 | (67) | - |
| Income authorised to be Appropriated in Aid | | - | - |
| Operating income payable to the Consolidated Fund | | (67) | - |
| Total operating income payable to the Consolidated Fund | | (67) | (6,596) |

## 7. Non-operating income - Excess A-in-A

| | Note | 2007-08 £000 | 2006-07 £000 |
|---|---|---|---|
| Principal repayments of voted loans | 15 | (25,121) | (35,164) |
| Proceeds on disposal of fixed assets | | (239) | (156) |
| Income authorised to be appropriated in aid | | 40,343 | 26,565 |
| Non-operating income payable to the Consolidated Fund | | - | (8,755) |

## 8. Staff numbers and related costs

Staff costs comprise

| | 2007-08 | | | | | 2006-07 |
|---|---|---|---|---|---|---|
| | **Total** | **Permanently employed staff** | **Others** | **Ministers** | **Special Advisers** | **Total** |
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| Wages and salaries | 91,634 | 85,414 | 5,942 | 162 | 116 | 86,001 |
| Social security costs | 4,525 | 4,495 | - | 17 | 13 | 4,200 |
| Other pension costs | 14,004 | 13,988 | - | - | 16 | 12,971 |
| **Gross Total*** | **110,163** | **103,897** | **5,942** | **179** | **145** | **103,172** |
| Less recoveries in respect of outward secondments | (510) | (510) | - | - | - | (234) |
| **Total net costs** | **109,653** | **103,387** | **5,942** | **179** | **145** | **102,938** |

| ***Analysis of gross total** | **2007-08** | **2006-07** |
|---|---|---|
| RfR1 Administration | 102,507 | 94,748 |
| RfR2 Administration | 1,220 | 1,215 |
| RfR1 Programme | 3,975 | 4,951 |
| RfR2 Programme | 38 | 38 |
| Capital | 2,423 | 2,220 |
| | **110,163** | **103,172** |

Pensions for most employees are provided through the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme. DFID is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary (Hewitt Bacon Woodrow) valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2007-08, employers' contributions of £13,877,275.41 were payable to the PCSPS (2006-07 £12,841,608.40) at one of four rates in the range 17.1% to 25.5% per cent of pensionable pay, based on salary bands (the rates in 2006-07 were between 17.1% and 25.5%). The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. From 2008-09, the salary bands will be revised but the rates will remain the same.

The contribution rates are set to meet the cost of the benefits accruing during 2007-08 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £118,718.82 (2006-07 £121,893.72) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £8,016.01 (2006-07 £8,030.50), 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the balance sheet date were £nil. Contributions prepaid at that date were £nil.

Three individuals retired early on ill-health grounds (2006-07: 1 individual); the total additional accrued pension liabilities in the year amounted to £5,689 (2006-07: £1,204).

## 8. Staff numbers and related costs (continued)

### Average number of persons employed during the year

| | 2007-08 | | | | | 2006-07 |
|---|---|---|---|---|---|---|
| **Objectives** | **Total** | **Permanent staff** | **Others** | **Ministers** | **Special Advisers** | **Total** |
| Reduce poverty in sub Saharan Africa | **688** | 682 | 6 | - | - | **724** |
| Reduce poverty in Asia | **467** | 466 | 1 | - | - | **515** |
| Reduce poverty in Europe , Central Asia, Latin America, the Caribbean, the Middle East and North Africa | **266** | 262 | 4 | - | - | **270** |
| Increase the impact of key multilateral agencies in reducing poverty and effective response to conflict and humanitarian crises | **207** | 200 | 7 | - | - | **166** |
| Develop evidence based innovative approaches to international development | **234** | 223 | 11 | - | - | **250** |
| Other expenditure and expenditure unallocable to individual objectives | **640** | 622 | 12 | 4 | 2 | **672** |
| Staff engaged on Capital projects | **41** | 41 | - | - | - | **42** |
| **Total Request for Resources 1** | **2,543** | **2,496** | **41** | **4** | **2** | **2,639** |
| **Request for Resources 2:** | | | | | | |
| Conflict Prevention | **20** | 16 | 4 | - | - | **21** |
| **Total** | **2,563** | **2,512** | **45** | **4** | **2** | **2,660** |

## 9. Other and total Administration Costs

| | 2007-08 | | 2006-07 | |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Eliminating Poverty in Poorer Countries (RfR1)** | | | | |
| Operating leases rentals | 13,421 | | 19,947 | |
| Charges under finance leases | 8,165 | | - | |
| Hire of plant and machinery | 41 | | 55 | |
| | | 21,627 | | 20,002 |
| Other current expenditure | | 106,625 | | 89,861 |
| *Non Cash items* | | | | |
| Depreciation: Tangible Fixed Assets | 12,112 | | 16,076 | |
| Depreciation: Intangible Fixed Assets | 475 | | 126 | |
| Impairment/ Revaluation of Fixed Assets | 7,321 | | 697 | |
| Audit fees - resource account * | 235 | | 235 | |
| Audit fees - other * | 26 | | 26 | |
| Cost of capital charge (*includes civil estate*)* | 1,609 | | 1,007 | |
| Movement in provisions | (28,159) | | 31,021 | |
| | | (6,381) | | 49,188 |
| Loss on disposal of fixed assets | | 1,196 | | 1,704 |
| **Other Administration Costs (RfR1)** | | **123,067** | | **160,755** |
| Administration income (Note 11) | | (5,241) | | (5,169) |
| Staff Costs (Note 8) | | 102,507 | | 94,748 |
| **Net Administration Costs (RfR1)** | | **220,333** | | **250,334** |
| **Conflict Prevention (RfR2)** | | | | |
| Staff Costs | 1,220 | | 1,215 | |
| Other Admin Costs | 1,684 | | 1,734 | |
| **Net Administration Costs (RfR2)** | | **2,904** | | **2,949** |
| **Net Total Administration Cost** | | **223,237** | | **253,283** |

* Notional expense taken to General Fund. Cost of capital charge is calculated using the standard rate of 3.5%.

## 10. Programme Costs

| | 2007-08 | | 2006-07 | |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Eliminating Poverty in Poorer Countries (RfR1)** | | | | |
| Staff Costs | 3,975 | | 4,951 | |
| Grants and current expenditure | 3,469,971 | | 3,127,096 | |
| Other - Gibraltar Social Insurance Fund | 15,315 | | 6,716 | |
| Contributions to international financial institutions: promissory notes | 743,304 | | 828,595 | |
| Loan management charges | 412 | | 890 | |
| | | 4,232,977 | | 3,968,248 |
| *Non Cash items* | | | | |
| Cost of capital charge* | 162,858 | | 143,686 | |
| Movements in provisions | (72,493) | | 317,236 | |
| Losses on asset disposal | - | | 46 | |
| | | 90,365 | | 460,968 |
| Loss /(Gain) on foreign exchange | (35,742) | | 6,731 | |
| | | (35,742) | | 6,731 |
| **Total: Eliminating Poverty in Poorer Countries (RfR1)** | | 4,287,600 | | 4,435,947 |
| **Conflict Prevention (RfR2)** | | | | |
| Staff costs | 38 | | 38 | |
| Other Expenditure | 39,730 | | 30,002 | |
| **Total: Conflict Prevention (RfR2)** | | 39,768 | | 30,040 |
| **Total Gross expenditure** | | 4,327,368 | | 4,465,987 |
| Programme income (Note 11) | | (4,354) | | (5,660) |
| **Total Net Programme Costs** | | **4,323,014** | | **4,460,327** |

* Notional expense taken to General Fund. Cost of capital charge is calculated using the standard rate of 3.5%, except for the investment in CDC which is calculated using a rate of 5%. See note 14 for further details.

## 11. Income

| | RfR1 | RfR2 | 2007-08 £000 Total | 2006-07 £000 Total |
|---|---|---|---|---|
| **Administrative Income** | | | | |
| Rents from non-Government bodies | (4,562) | - | (4,562) | (4,451) |
| Other | (623) | - | (623) | (610) |
| Recovery of salary - EBRD Director | (56) | - | (56) | (108) |
| **Sub total** | **(5,241)** | **-** | **(5,241)** | **(5,169)** |
| **Programme Income** | | | | |
| Non-capital appropriations in aid | (223) | (67) | (290) | 128 |
| Other operating income not classified as A in A | (2,502) | - | (2,502) | (3,568) |
| Loan Interest | (1,562) | - | (1,562) | (2,220) |
| **Sub total** | **(4,287)** | **(67)** | **(4,354)** | **(5,660)** |
| **Total** | **(9,528)** | **(67)** | **(9,595)** | **(10,829)** |

## 12. Tangible Fixed Assets

| | Freehold Land and buildings £000 | Leasehold related assets £000 | Vehicles £000 | Furniture and equipment £000 | IT equipment and systems £000 | Assets being constructed £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | |
| At 1 April 2007 | **10,402** | **42,939** | **6,720** | **15,733** | **35,220** | **23,801** | **134,815** |
| Additions | 2,425 | 46,581 | 720 | 2,105 | 6,230 | 11,968 | 70,029 |
| Impairment / Revaluation | - | (31,789) | (24) | 503 | (609) | - | (31,919) |
| Brought into use | 2,542 | - | - | - | 2,278 | (4,820) | - |
| Disposals | - | (9) | (936) | (1,843) | (6,561) | (27) | (9,376) |
| **At 31 March 2008** | **15,369** | **57,722** | **6,480** | **16,498** | **36,558** | **30,922** | **163,549** |
| **Depreciation** | | | | | | | |
| At 1 April 2007 | (445) | (10,223) | (3,630) | (5,914) | (26,290) | - | (46,502) |
| Charged in year | (517) | (2,896) | (1,096) | (1,598) | (6,005) | - | (12,112) |
| Depreciation on revaluation | - | - | 6 | (172) | 289 | - | 123 |
| Disposals | - | 2 | 815 | 1,098 | 6,035 | - | 7,950 |
| **At 31 March 2008** | **(962)** | **(13,117)** | **(3,905)** | **(6,586)** | **(25,971)** | **-** | **(50,541)** |
| **Net Book Value at 31 March 2008** | **14,407** | **44,605** | **2,575** | **9,912** | **10,587** | **30,922** | **113,008** |
| **At 31 March 2007** | **9,957** | **32,716** | **3,090** | **9,819** | **8,930** | **23,801** | **88,313** |

| | |
|---|---|
| Additions (accruals basis) | 70,029 |
| Movement in Capital creditor | (43,267) |
| As shown in Cash flow | 26,762 |

The department's freehold property in East Kilbride was valued at 31 March 2006 by GVA Grimley LLP International Property Advisers using RICS guidelines and reported a revised existing use valuation of £9,250,000 (land £1,575,000, buildings £7,675,000). There has been no material change in value since 31 March 2006, and the valuation has therefore not been updated to 31 March 2008.

Overseas properties were valued at 31 March 2007 by Pam Golding Properties, for our Zimbabwe properties, and by SFS Property Consultants, for our Malawi properties.

Included in leasehold related assets is a property held under a finance lease. This property was valued at 31 March 2008 by DTZ Debenham Tie Leung Limited using RICS guidelines.

## 13. Intangible Assets

| | 2007-08 |
|---|---|
| | £000 |
| **Cost** | |
| At 1 April 2007 | 2,602 |
| Additions | - |
| Disposals | (1,033) |
| **At 31 March 2008** | **1,569** |
| **Depreciation** | |
| At 1 April 2007 | (1,014) |
| Charged in year | (475) |
| Disposals | 1,025 |
| **At 31 March 2008** | **(464)** |
| **Net book value at 31 March 2008** | **1,105** |
| **Net book value at 31 March 2007** | **1,588** |

## 14. Fixed Asset Investments

| | International Financial Institutions £000 | CDC Group Plc £000 | Actis llp £000 | Total £000 |
|---|---|---|---|---|
| **At 1 April 2007** | **2,153,645** | **765,036** | **1,677** | **2,920,358** |
| Additions | 794 | - | - | **794** |
| Revaluations | 402,427 | - | (1,018) | **401,409** |
| **At 31 March 2008** | **2,556,866** | **765,036** | **659** | **3,322,561** |
| Additions (accruals basis) | 794 | - | - | 794 |
| Non-cash adjustments including capital subscriptions made in the form of Promissory Notes | - | - | - | - |
| Amounts included in Note 23 (b) | 794 | - | - | 794 |

**Subsidiaries and associates: key data**

| | CDC Group plc | | Actis llp | |
|---|---|---|---|---|
| | **2007 £m's** | **2006 £m's** | **2007 $m's** | **2006 $m's** |
| Turnover | n/a | n/a | 139.8 | 107.7 |
| Profit before tax | n/a | n/a | 10.5 | 19.0 |
| Portfolio return (before tax) | 629.2 | 337.4 | n/a | n/a |
| Total return after tax | 672.0 | 375.0 | 9.6 | 18.6 |
| Total net assets (valuation basis) | 2,686.8 | 2,014.8 | 3.3 | 4.7 |

CDC Group plc prepare their financial statements in accordance with International Financial Reporting Standards (IFRS).

Programme operating costs include capital charges of £117,540,000 which represents 5.0% of CDC annual average assets of £2,350,800,000 (2006-07 £91,365,000 @ 5.0 per cent) and £81,288 which represents 3.5% of Actis annual average assets of £2,322,506 (2006-07 £94,315 @ 3.5%). There were no dividend or interest payments (2006-07 £nil).

**International financial institutions**

Base currencies of investments in International Financial Institutions are shown below. $(US) figures include those bodies for which US$ are used as the working equivalent for units of account formally expressed in Special Drawing Rights (SDR). Revaluations for IFIs include £110 million (net) of unrealised gains (2006-07: loss of £202 million) arising from changes in exchange rates.

| | 2007-08 | | 2006-07 | |
|---|---|---|---|---|
| | **Currency ' 000** | **£000** | **Currency ' 000** | **£000** |
| International Bank for Reconstruction and Development | $1,761,136 | 886,110 | $1,609,598 | 819,947 |
| International Finance Corporation | $723,032 | 363,792 | $566,980 | 288,826 |
| European Bank for Reconstruction and Development | € 1,193,996 | 951,619 | € 1,047,522 | 711,535 |
| Asian Development Bank | $290,514 | 146,171 | $268,772 | 136,916 |
| Inter-American Development Bank | $195,999 | 98,616 | $190,751 | 97,171 |
| African Development Bank (in Units of Account) | 79,380 | 65,648 | 74,629 | 57,557 |
| Caribbean Development Bank | $48,399 | 24,352 | $43,560 | 23,059 |
| Multilateral Investment Guarantee Agency | $40,859 | 20,558 | $36,580 | 18,634 |
| | | 2,556,866 | | 2,153,645 |

## 15. Debtors: amounts due after more than one year

| | Bilateral and other | Loans managed by Actis llp | Total |
|---|---|---|---|
| | £000 | £000 | £000 |
| **Gross Value less provisions for debt relief and non-payment** | | | |
| At 1 April 2007 | 241,582 | 17,356 | 258,938 |
| Additions | 6,341 | - | 6,341 |
| Repaid | (28,854) | (1,360) | (30,214) |
| (Increase)/ Decrease in provision | (8,347) | - | (8,347) |
| Utilisation of Provision | 14,388 | - | 14,388 |
| Written off | (14,388) | - | (14,388) |
| Foreign exchange gain/(loss) | 36,699 | - | 36,699 |
| **At 31 March 2008** | 247,421 | 15,996 | 263,417 |
| Due within one year | 27,678 | 15,996 | 43,674 |
| **Total: Debtors falling due after more than 12 months*** | **219,743** | **-** | **219,743** |
| **At 31 March 2007** | **208,186** | **15,992** | **224,178** |
| ** of which* | | | |
| falling due after 1 year less than 2 years | 27,555 | - | 27,555 |
| falling due after 2 years less than 5 years | 81,850 | - | 81,850 |
| falling due after 5 years | 110,338 | - | 110,338 |
| | 219,743 | - | 219,743 |
| Additions included above | 6,341 | - | 6,341 |
| Rescheduling of loans | - | - | - |
| **Included in cash flow statement - Note 23(b)** | 6,341 | - | 6,341 |
| Repayments included above | (28,854) | (1,360) | (30,214) |
| Management charges deducted from repayments - included in expenditure | 4,685 | 412 | 5,097 |
| Principal repayments accrued 2007-08 | - | - | - |
| Principal repayments accrued 2006-07 | - | (4) | (4) |
| **Included in cash flow statement - Note 23(b)** | (24,169) | (952) | (25,121) |

## 16. Debtors: Amounts Falling Due Within One Year
## 16 (a) Analysis by type

| | 2007-08 £000 | 2006-07 £000 |
|---|---|---|
| Loans repayable within one year* | 43,674 | 34,760 |
| Deposits and advances | 22,731 | 28,718 |
| Prepayments and accrued income | 73,448 | 80,837 |
| Amounts due from the Consolidated Fund in respect of supply | 17,470 | 5,326 |
| Other amounts due from Consolidated Fund | 17 | 17 |
| **Total** | **157,340** | **149,658** |
| Decrease in working capital debtors (excluding loans and Consolidated Fund) | (13,375) | (4,128) |

* Of which £nil relates to Principal repayments accrued 2007-08 (2006-07 £3,789).

| **Consolidated Fund debtor in respect of supply** | 2007-08 £000 | 2006-07 £000 |
|---|---|---|
| 2007-08 Supply drawn down | (4,157,500) | (4,075,380) |
| "Deemed" supply (retained from 2006-07) | - | (3,095) |
| | (4,157,500) | (4,078,475) |
| Net Cash required | 4,174,970 | 4,083,801 |
| Supply debtor / (creditor) | 17,470 | 5,326 |
| Actual supply debtor | £17,469,662.86 | £5,326,178.68 |

## 16 (b) Intra-Government balances

| | Amounts falling due within one year £000 | | Amounts falling due after more than one year £000 | |
|---|---|---|---|---|
| | 2007-08 | 2006-07 | 2007-08 | 2006-07 |
| Balances with other central government bodies | 20,104 | 7,577 | - | - |
| Balances with local authorities | - | - | - | - |
| Balances with NHS Trusts | - | - | - | - |
| Balances with public corporations and trading funds | - | - | - | - |
| *Subtotal:* intra-government balances | 20,104 | 7,577 | - | - |
| Balances with bodies external to government | 137,236 | 142,081 | 219,743 | 224,178 |
| **Total debtors at 31 March** | **157,340** | **149,658** | **219,743** | **224,178** |

## 17. Cash at Bank and in Hand

| | 2007-08 | 2006-07 |
|---|---|---|
| | £000 | £000 |
| Balance at 1 April 2007 | 6,867 | 13,178 |
| Net Cash outflow | (24,244) | (6,311) |
| **Balance at 31 March 2008** | **(17,377)** | **6,867** |
| Balances at 31 March 2008 were held at: | | |
| HM Paymaster General | (23,358) | (371) |
| Imprest accounts | 5,981 | 7,238 |
| **Total** | **(17,377)** | **6,867** |
| **Analysis of Balances at 31 March** | | |
| Consolidated Fund (debtor) / creditor for Supply | (17,470) | (5,326) |
| Due to the Consolidated Fund Other Receipts | 26 | 410 |
| Due to the Consolidated Fund Excess A-in-A | 67 | 11,783 |
| **Total** | **(17,377)** | **6,867** |
| | £ | £ |
| Other CFER | | |
| Held at 1 April | 410,225 | 603,067 |
| Arising during the year | 2,501,599 | 3,568,370 |
| Paid over during the year | (2,886,574) | (3,761,212) |
| **Held at 31 March** | **25,250** | **410,225** |

Cash balances at Paymaster in 2007-08 and 2006-07 were held in sterling. Imprest balances are held in a variety of local currencies, none individually greater than £677,169.

At 31 March 2008, in addition to the amounts shown above, the Department held £7,320,874 of cash provided by other development agencies as part of jointly funded programmes (2006-07: £7,629,528).

## 18. Creditors
## 18(a) Analysis by type

**Amounts Falling Due Within One Year**

| | 2007-08 | | 2006-07 | |
|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** |
| Taxation | 264 | | 1,103 | |
| Social Security | 1,489 | | 631 | |
| Other creditors | 1,575 | | 1,472 | |
| Accruals and deferred income | 129,108 | | 123,164 | |
| Current part of finance leases | 7,789 | | - | |
| | | 140,225 | | 126,370 |
| Promissory Notes: due within 12 months | | 542,272 | | 438,488 |
| Consolidated Fund creditor: | | | | |
| Supply issued and not used | - | | - | |
| Other amounts received - to be paid over | 26 | | 410 | |
| Other amounts - to be paid over | 3,001 | | 3,001 | |
| Excess Appropriations in Aid | 67 | | 11,783 | |
| | | 3,094 | | 15,194 |
| **Total due within one year** | | **685,591** | | **580,052** |
| Decrease in working capital creditor (excludes Promissory Notes and Consolidated Fund) | | 13,855 | | 20,417 |

**Amounts Falling Due After More Than One Year**

| | | |
|---|---|---|
| Promissory Notes | 545,656 | 375,490 |
| Finance leases | 36,747 | - |
| **Total due after more than one year** | **582,403** | **375,490** |

| **Promissory note creditor: Movement during the year** | **£000** | **£000** |
|---|---|---|
| **Balance at 1 April 2007** | | (813,978) |
| Charge to operating costs in 2007-08 - new deposits (Note 10) | (743,304) | |
| Increase in subscriptions to International Financial Institutions (Note 14) | - | |
| Cash drawn down against notes previously issued | 470,311 | |
| Foreign Exchange gains/(losses) | (957) | |
| | | (273,950) |
| **Balance at 31 March 2008** | | (1,087,928) |
| *of which* | | |
| Forecast to be drawn within 12 months | | (542,272) |
| Forecast to be drawn after 1 year less than 2 years | | (295,664) |
| Forecast to be drawn after 2 years less than 5 years | | (227,373) |
| Forecast to be drawn after 5 years | | (22,619) |
| | | (1,087,928) |

## 18. Creditors (continued)

| Promissory note creditor: analysis by institution at 31 March 2008 | Capital £000 | Resource £000 |
|---|---|---|
| European Bank for Reconstruction and Development | (6,873) | |
| Other capital | (1,082) | |
| International Development Association | | (578,147) |
| African Development Fund | | (225,141) |
| Global Environment Fund | | (51,189) |
| Asian Development Fund | | (74,214) |
| Global Fund to fight Aids, TB and Malaria | | (120,000) |
| Other (CDB, UNFCC) | | (31,282) |
| **Total** | **(7,955)** | **(1,079,973)** |

## 18(b) Intra-Government balances

| | Amounts falling due within one year £000 | | Amounts falling due after more than one year £000 | |
|---|---|---|---|---|
| | 2007-08 | 2006-07 | 2007-08 | 2006-07 |
| Balances with other central government bodies | (13,480) | (24,672) | - | - |
| Balances with local authorities | - | - | - | - |
| Balances with NHS Trusts | - | - | - | - |
| Balances with public corporations and trading funds | - | - | - | - |
| *Subtotal:* intra-government balances | (13,480) | (24,672) | - | - |
| Balances with bodies external to government | (672,111) | (555,380) | (582,403) | (375,490) |
| **Total creditors at 31 March** | **(685,591)** | **(580,052)** | **(582,403)** | **(375,490)** |

## 19. Movements in Working Capital Other Than Cash

| | 2007-08 £000 | 2006-07 £000 |
|---|---|---|
| Decrease in debtors | 13,375 | 4,128 |
| Increase in creditors | 13,855 | 20,417 |
| Movement in working capital | 27,230 | 24,545 |
| Movement in debtors for accrued income to be surrendered to the Consolidated Fund | - | (15) |
| **Net increase included in working capital movement in Resource Outturn** | **27,230** | **24,530** |
| Movement in working capital as above | 27,230 | 24,545 |
| Movement in creditor due within one year for capital purchases not included in cash flows | 37,269 | (1,449) |
| **Net increase in working capital other than cash** | **64,499** | **23,096** |
| Capital accruals | (522) | 1,449 |
| Movement in accrued interest | (4) | (15) |
| Promissory note deposits | 743,304 | 828,596 |
| Promissory notes drawn down | (470,311) | (723,391) |
| Adjustment for change in PN creditors falling due after more than one year | (170,166) | 257 |
| **Other changes in working capital** | **166,800** | **129,992** |

## 20. Provisions For Liabilities and Charges

| | IFFIm £000 | ATP Agreements £000 | Early Retirement Costs £000 | Other £000 | Total £000 |
|---|---|---|---|---|---|
| Balance at 1 April 2007 | **317,679** | **52,932** | **9,992** | **56,912** | **437,515** |
| Arising during year | - | - | 2,040 | 1,467 | 3,507 |
| Release of provision | (28,259) | (22,656) | - | - | (50,915) |
| Use of provision | (9,043) | (10,840) | (3,735) | (29,626) | (53,244) |
| **Balance at 31 March 2008** | **280,377** | **19,436** | **8,297** | **28,753** | **336,863** |
| Pre-funded Early Retirement costs | | | (18) | | |
| Gross Early Retirement Provision | | | 8,279 | | |

Provision for the International Finance Facility for Immunisations (IFFIm) represents the net present value of committed payments to cover the UK share of currently issued bonds. IFFIm is an international development financing institution that is supported by sovereign donors. IFFIm will borrow operating funds in the international capital markets over the 10 years from 2006-07 backed by these pledges. The UK has pledged a total of £1.38bn through to 2026, representing 47**%** of the total amounts pledged at 31 March 2008. The first 5 year bonds of US$1bn were issued in October 2006, with a further issue of ZAR 1.7bn in March 2008, giving a total liability including interest of £755m. The UK is therefore liable for £280.38m at 31 March 2008 (after deducting payments made), which will be covered by payment obligations through to 2016.

Provisions for ATP agreements represent sums which DFID is committed to pay to the Export Credit Guarantees Department (ECGD) for interest make-up and insurance premiums under former mixed credit agreements (Aid and Trade Provision) projects. The ATP scheme is effectively closed and will not significantly affect the amount of the provision.

Provisions for early retirement represent the full estimated cost of payments to be made by DFID to early retirees up to the normal retirement age. The timing of calls on the provision can be forecast with reasonable accuracy. The amount provided is uncertain only to the extent that adjustments may need to be made for up-rating of benefits and for unexpected changes in the number of beneficiaries. Amounts provided are likely to be used within at most 10 years.

Other provisions represent:
(a) sums for rents payable by the University of Greenwich for property occupied by a former Executive Agency of the Department, when the work of the Agency was taken over by the University. The main lease by the Department is treated as a finance lease. The rent received is lower than the finance charges incurred by the Department under the main lease. The provision covers the shortfall of rents receivable against finance charges payable over the main lease period to 2014.

(c) certain non-statutory pension obligations (most pension obligations for which DFID is responsible are included in the separate overseas superannuation account).

(d) estimated liabilities at the 31st March of overseas offices in respect of terminal benefit payments to staff appointed in country.

(e) redundancy liabilities for redundancies agreed at 31st March.

## 21. General Fund

| | 2007-08 £000 | £000 |
|---|---|---|
| **General fund at 1 April 2007** | | **1,222,409** |
| Net operating costs for the year | | **(4,546,251)** |
| Net parliamentary funding | 4,157,500 | |
| Supply Reissued | - | |
| Debtor for Supply | 17,470 | |
| **Financing provided** | | **4,174,970** |
| Notional costs within operating costs | | 164,728 |
| Realised element of revaluation reserve | | 404 |
| Operating income payable to Consolidated Fund | | (2,502) |
| Excess A-in-A payable to the Consolidated Fund | | (67) |
| **Net increase/(decrease) in General Fund** | | **(208,718)** |
| **General fund at 31 March 2008** | | **1,013,691** |

## 22. Revaluation Reserve

| | 2007-08 £000 |
|---|---|
| **Reserve at 1 April 2007** | **775,496** |
| Gain/(Loss) on revaluation - International Financial Institutions | 402,427 |
| Gain/(Loss) on revaluation - Land & Buildings | - |
| Gain/(Loss) on revaluation - Furniture and Equipment | 331 |
| Gain/(Loss) on revaluation - Vehicles | (18) |
| Realised element to General Fund | (404) |
| **Balance at 31 March 2008** | **1,177,832** |

## 23. Notes to the Consolidated Cash Flow statement

### 23 (a) Reconciliation of operating cost to operating cash flows

| | 2007-08 £000 | 2006-07 £000 |
|---|---|---|
| **Net Operating Cost** | **(4,546,251)** | **(4,713,610)** |
| Adjustments for non-cash charges | 885,236 | 1,353,468 |
| (Increase)/Decrease in Debtors | 1,231 | (1,198) |
| *Movement in debtors for items not passing through the OCS* | 12,140 | 5,326 |
| Increase/ (Decrease) in creditors | 38,502 | 19,433 |
| *Movement in creditors for items not passing through the OCS* | 12,100 | 985 |
| Working capital movement: capital items | (43,267) | (1,449) |
| Use of provisions | (53,244) | (13,191) |
| Draw down of promissory notes | (470,311) | (723,391) |
| **Net cash outflow from operating activities** | **(4,163,864)** | **(4,073,627)** |

### 23 (b) Analysis of capital expenditure and financial investment

| | 2007-08 £000 | 2006-07 £000 |
|---|---|---|
| Intangible fixed-asset additions | - | (1,553) |
| Tangible fixed-asset additions | (26,762) | (22,351) |
| Proceeds of disposal of fixed assets | 239 | 156 |
| Additions to investments | (794) | (843) |
| Additions to Loans | (6,341) | (5,396) |
| Repayment of loans to other bodies | 25,121 | 35,164 |
| **Net cash inflow/(outflow) from investing activities** | **(8,537)** | **5,177** |

### 23 (c) Analysis of Capital Expenditure, Financial Investments and Associated A-in-A

| | 2007-08 | | | |
|---|---|---|---|---|
| | Fixed assets £000 | Investments & Loans £000 | A in A £000 | Net total £000 |
| Administration | 26,762 | - | - | 26,762 |
| Programme: Long term loans | - | 6,341 | (25,121) | (18,780) |
| Programme: Investments | - | 794 | - | 794 |
| Programme: Investments non cash | - | - | - | - |
| Programme: CDC | - | - | - | - |
| Other Receipts | - | - | (239) | (239) |
| **Total** | **26,762** | **7,135** | **(25,360)** | **8,537** |
| Excess A in A to be surrendered to the Consolidated Fund | | | - | |
| Non Operating A in A (Note 4) | | | (25,360) | |

### 23 (d) Analysis of financing, and reconciliation to the net cash requirement

| | 2007-08 £000 | 2006-07 £000 |
|---|---|---|
| From the Consolidated Fund (Supply) - Current Year | 4,157,500 | 4,075,380 |
| From the Consolidated Fund (Supply) - Prior Year | 5,326 | - |
| | 4,162,826 | 4,075,380 |

### 23 (e) Reconciliation of Net Cash Requirement to increase/(decrease) in cash

| | 2007-08 £000 | 2006-07 £000 |
|---|---|---|
| Net cash requirement | (4,174,970) | (4,083,801) |
| From the Consolidated Fund (Supply) | 4,162,826 | 4,075,380 |
| Amounts due to the Consolidated Fund - received in a prior year and paid over | (12,193) | (10,083) |
| Amounts due to the Consolidated Fund received and not paid over | 26 | 410 |
| Amounts due to the Consolidated Fund - Excess A-in-A | 67 | 11,783 |
| Decrease in cash | **(24,245)** | **(6,311)** |

## 24. Notes to the Statement of Operating Costs by Departmental Aim and Objectives

**Capital Employed by Departmental Aim and Objectives at 31 March 2008**

| Aim | 2007-08 £000 | 2006-07 £000 |
|---|---|---|
| 1. Africa | (9,888) | (658) |
| 2. Asia | (9,453) | (468) |
| 3. Europe, Central Asia and elsewhere | (3,701) | (177) |
| 4. Impact of multilateral agencies | 2,189,741 | 1,999,385 |
| 5. Evidence based policy | (1,326) | (39) |
| 6. Other and unclassifiable | 26,150 | (138) |
| **TOTAL** | **2,191,523** | **1,997,905** |

Capital employed has been directly allocated to aims where there is a clear relationship between the capital employed and the departmental aim. Where this has not been possible, capital employed has been allocated in proportion to gross expenditure.

## 25. Financial instruments

Bilateral and other loans include gross principal amounts denominated in Euro of £242 million (2006-07, £222 million).

| Financial Liabilities: Interest and currency risk | 2007-08 £000 | 2006-07 £000 |
|---|---|---|
| | No interest | No interest |
| Sterling | 1,079,973 | 801,167 |
| Euro | 6,873 | 11,716 |
| US Dollars | 1,082 | 1,095 |
| **Total** | **1,087,928** | **813,978** |

## 26. Capital Commitments

| | 2007-08 £000 | 2006-07 £000 |
|---|---|---|
| Contracted capital commitments at 31 March 2008 for which no provision has been made | 2,621 | 12,808 |

## 27. Commitments Under Leases

### 27 (a) Operating Leases

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

| | 2007-08 £000 | 2006-07 £000 |
|---|---|---|
| **Obligations under operating leases comprise:** | | |
| Expiry within 1 year | 2,694 | 2,385 |
| Expiry after 1 year but not more than 5 years | 4,680 | 4,507 |
| Expiry thereafter | 13,388 | 12,427 |
| **Total** | **20,762** | **19,319** |

### 27 (b) Finance Leases

| | 2007-08 £000 | 2006-07 £000 |
|---|---|---|
| **Obligations under finance leases comprise:** | | |
| Rentals due within 1 year | 7,789 | - |
| Rentals due after 1 year but within 5 years | 35,251 | - |
| Rentals due thereafter | 57,097 | - |
| | **100,137** | - |
| Less interest element | **(55,601)** | - |
| | **44,536** | - |

## 28. Contingent Liabilities

Contingent liabilities with an approximate value of £0.3 million (2006-07: £1.1 million) exist in respect of guarantees to the European Investment Bank's lending to UK Overseas Territories. Additional contingent liabilities of £522 million (2006-07: £1,087 million) exist in respect of contributions due to international organisations which have been subject to formal approval by Parliament but which are not yet supported either by promissory notes or cash payments.

In addition to contingent liabilities disclosed above in accordance with FRS 12, the department discloses for parliamentary reporting and accountability purposes certain contingent liabilities where the likelihood of a transfer of economic benefit is remote. These amount to £6,413.2 million (2006-07: £6,534.6 million) and comprise:

£6,407.1 million (2006-07: £6,525.9 million) in respect of guarantees, including callable capital, to international banks, financial institution, and for contractor performance;
Maintenance of the value of subscriptions paid to capital stock of regional development banks and funds (unquantifiable);

Indemnities in respect of the transfer of ownership of the Natural Resources Institute (unquantifiable);

£6.0 million (2006-07: £8.70 million) in respect of other items over £100,000 (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 the Department entering into the arrangement.

## 29. Related Party Transactions

DFID is the 100 per cent shareholder in CDC Group plc. DFID had no material transactions with CDC during the year.

DFID has a 40 per cent interest in Actis llp. Actis manages loans on behalf of DFID (Note 15) for which Actis received fees of £412,500 (2006-07: £890,000).

In addition DFID has had a number of transactions with other Government Departments and other Central Government bodies, including the National Audit Office (NAO). Most of these transactions have been with the Foreign and Commonwealth Office.

During 2007-08 DFID incurred expenditure of £164,034 for the purchase of consultancy services from the Law & Development Partnership Limited, a company in which the wife of a DFID director is the sole owner.

During 2007-08 DFID provided grants of £439,392 to the Student Worldwide Partnership, an organisation in which the wife of a DFID director is a board member. DFID also provided grants of £997,420 to Land Mine Action, an organisation in which the son of the same DFID director is a director.

During 2007-08 DFID provided grants of £900,853 to Marie Stopes International, a company in which the wife of a DFID director is a country director.

All such transactions were undertaken at arms-length, and procedures are in place to ensure that any potential conflict of interest is dealt with in line with the Civil Service Management Code issued by the Cabinet Office.

## 30. Accountability Notes

| | 2007-08<br>£000 | 2006-07<br>£000 |
|---|---|---|
| Total - 72 cases (2006-07: 137 cases) | 1,004 | 646 |
| Losses | | |
| Total - 34 Cases (2006-07: 96 cases) | 894 | 597 |
| Fruitless payments and constructive losses | | |
| Total - 32 cases (2006-07: 30 cases) | 59 | 17 |
| Claims waived or abandoned | | |
| Total - no cases (2006-07: 2 case) | - | 1 |
| Special Payments | | |
| Total - 6 cases (2006-07: 9 cases) | 51 | 31 |

There was one individual case greater than £250,000 during the year:

£644,268 relating to an accounting adjustment to clear balances in suspense accounts that had arisen prior to 2001. Much of the original documentation relating to the original transactions have since been destroyed. The amount has been included in expenditure in previous Resource Accounts.

Audited statements are required from overseas Governments to cover advances.
Final audited statements that were due to be certified covering issues totalling £275m (2006-07 £91m) had not been certified at 31 March 2008.

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