

Accountability



UKEF ministers and Board members

UKEF ministers



Rt Hon. Liz Truss MP
Secretary of State
for International Trade
and President of the
Board of Trade

Members of the UKEF Board and its sub-committees



Noël Harwerth
Chair of the
Remuneration
and Nominations
Committee



Louis Taylor
Chief Executive Officer



Cameron Fox
Chief Finance and
Operating Officer



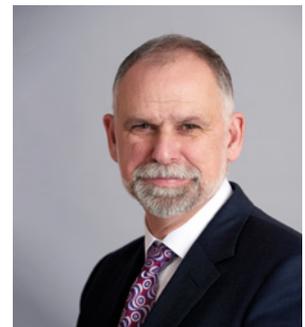
Graham Stuart MP
Minister for Exports



Samir Parkash
Chief Risk Officer



**Shalini Khemka
(to February 28 2021)**
Member of UKEF
Board. Member of
the Remuneration
and Nominations
Committee



Oliver Peterken
Member of UKEF
Board. Chair of
Risk Committee
and member of
Audit, Remuneration
and Nominations
Committee

Members of the UKEF Board and its sub-committees (continued)



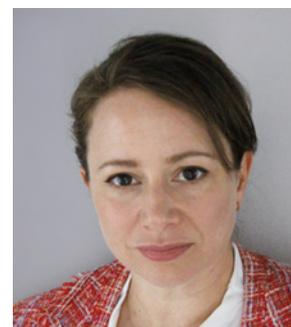
Lawrence M. Weiss
Member of UKEF Board. Chair of Audit Committee and member of Risk, Remuneration and Nominations Committee



Kimberley Wiehl
Member of UKEF Board. Member of Audit, Risk, Remuneration and Nominations Committee



**Alistair Clark
(from 21 May 2020)**
Ex-officio member of UKEF Board. Chair, Export Guarantees Advisory Council



**Madelaine McTernan
(to 30 November 2020)**
Ex-officio member of UKEF Board, UK Government Investments. Member of Audit, Risk, Remuneration and Nominations Committee



Candida Morley (from 17 December 2020)
Ex-officio member of UKEF Board, UK Government Investments. Member of Audit, Risk, Remuneration and Nominations Committee



**John Mahon
(to 31 August 2020)**
Ex-officio member of UKEF Board, Director General for Exports at the Department for International Trade (until 31 August 2020)



Andrew Mitchell (from 1 September 2020)
Ex-officio member of UKEF Board, Director General for Exports and UK Trade at the Department for International Trade

Register of interests

A register of interests is kept up to date to identify any potential conflicts of interest involving the senior executive directors and, if necessary, address them. At the start of Departmental Board meetings, members are asked to declare any potential conflicts of interest. Appropriate arrangements are in place to manage any conflicts identified, in line with Departmental and Cabinet Office policy. This could, for example, include recusal from Board discussions relating to those interests.

One conflict of interest was raised this year and was managed in line with the relevant procedure.

A register of non-executive directors' directorships and shareholdings is available here: gov.uk/government/organisations/uk-export-finance/about/our-governance.



The senior leadership team of UKEF's new Strategy, Policy and Climate Change directorate, led by Davinder Mann (centre).

Governance statement

Introduction

As Accounting Officer for UK Export Finance (UKEF), I am responsible to Ministers and Parliament for the management of its operations, including the stewardship of financial resources and assets. This Governance Statement sets out how I have discharged this responsibility for the period 1 April 2020 to 31 March 2021.

The areas covered below are:

- the organisational arrangements for managing operations, constituting our corporate governance framework
- my statement on the nature of UKEF's business and its vulnerabilities and resilience to challenges, requiring risk management and controls



Louis Taylor
Chief Executive
Officer

Background

Our mission is to ensure that no viable UK export fails for lack of finance or insurance while operating at no net cost to the taxpayer. We work with a wide range of private credit insurers and lenders to help UK companies access export finance (loans, insurance policies or bank guarantees that enable international trade to take place). We complement the provision of support from the private market, taking account of wider government strategy and policies.

In providing support, we seek to:

- provide value for money to the taxpayer
- engage with exporters, buyers and delivery partners such as banks, without displacing private providers
- provide a quality of service that is responsive to new business, with a focus on solutions within the bounds of acceptable risk and in accordance with our statutory purpose
- maintain the confidence of ministers, Parliament and customers
- effectively communicate what we do to interested parties

Our strategy, outlined in our Business Plan, is one of ambitious evolution, building on over a century's experience and success, and the advances made under our last Business Plan.

Realising the objectives in our current Business Plan will ensure we are better able to meet the needs of customers while appropriately managing the risks to which this exposes UKEF.

Corporate governance framework

UKEF was set up in 1919, with its original statute introduced in 1920, and its legal name is the Export Credits Guarantee Department. It is a ministerial department of state carrying out statutory powers under the Export and Investments Guarantees Act 1991 (EIGA).

UKEF is strategically aligned with the Department for International Trade (DIT), but is a separate ministerial government department in its own right. Both departments report to the Secretary of State for International Trade. I am the Chief Executive and Principal Accounting Officer of UKEF. The Secretary of State writes to me every year to outline the government's priorities for UKEF for the coming year.¹

Statutory powers

UKEF's statutory powers are derived from the EIGA, which provides that they may only be exercised with the consent of HM Treasury ('the Consent'). HM Treasury (HMT) sets a financial framework, comprising financial objectives and reporting requirements, within which UKEF operates.



Department for International Trade

DIT promotes the UK across the world as a great place to do business, helping to level up the economy by attracting inward investment to all parts of the country. It negotiates ambitious Free Trade Agreements, supports exporters to maximise opportunities, and works to open up new markets and trading partnerships for UK businesses. I am a member of the DIT Board and Executive Committee.

Ministers

Through the year, ministers have been provided with regular written and verbal advice and briefings on a range of issues concerning UKEF's operations, including: business planning, development of business opportunities, the Public Accounts Committee inquiry, the UKEF portfolio, the level of claims, anti-bribery and corruption due diligence, and new and prospective support for UK exporters.

HM Treasury

Along with other UKEF officials, I regularly meet with officials from HMT to advise them on matters related to the Consent, business planning and performance. Throughout the year, and at least monthly, we supply HMT with reports on key business metrics, including our financial performance. A representative from HMT also attends UKEF Board meetings as an observer.

HMT seeks to protect the taxpayer from excessive loss resulting from our lending or contingent liabilities, and the UK economy from economic disbenefit. It exercises this role primarily by monitoring our performance against the financial objectives agreed by ministers and policy parameters they set for us.

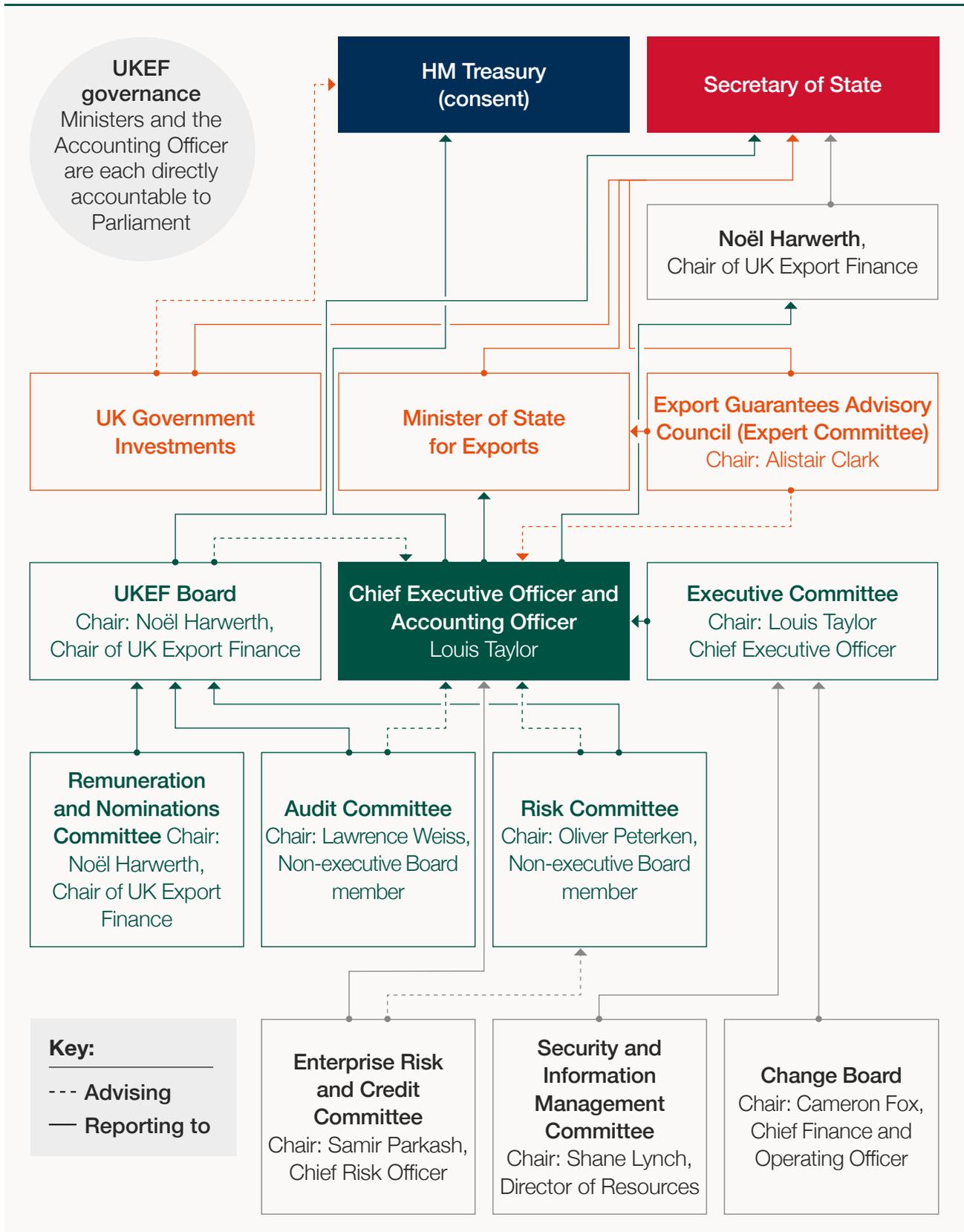
UK Government Investments (UKGI)

UKGI provides advice to the Secretary of State with responsibility for UKEF on the exercise of ministerial responsibility for UKEF. A UKGI representative is an ex-officio member of UKEF's Board.

Particular areas of focus are:

- corporate governance matters such as the appointment and remuneration of UKEF's Chair, non-executive Board members and Chief Executive Officer
- financial and operating performance and key performance indicators
- review of risk management function and processes
- input into business planning and strategic direction

UKEF's Governance Structure



Export Guarantees Advisory Council (EGAC)

EGAC is a statutory body under the EIGA. It was designated as an Expert Committee in 2016 and its role is to advise the Secretary of State for International Trade on the ethical policies that UKEF applies when doing business, particularly those related to:

- climate change
- environmental, social and human rights matters
- anti-bribery and corruption
- sustainable lending
- disclosure, in line with information legislation

The Council independently publishes a report of its business in the year, which is available on pages 145-148 and also from the Council's website.²

The Council does not hold any independent budget or spending authority. The Chair of the Council sits on the UKEF Board as an ex-officio member.

UKEF Board

In discharging my responsibilities, I am advised by the UKEF Board, of which I am a member. The Board is led by a non-executive Chair to whom I report. Its membership consists of 3 executive directors (the Chief Executive, the Chief Risk Officer and the Chief Finance & Operating Officer) and at least 7 non-executive Board members including ex-officio representatives from DIT, UKGI and EGAC. There is also an observer from HMT. Its terms of reference require there to be a majority of non-executive and ex-officio members.

The Board's role is an advisory one, supporting the Accounting Officer in the management of UKEF through operational oversight and by providing advice, challenge and assurance.

The non-executive members are appointed by the Secretary of State through open competition based on relevant expertise and merit. They provide the Secretary of State with an independent source of scrutiny, and provide me with guidance on strategic and operational issues, UKEF's financial performance and our arrangements for financial reporting, risk management and control. A register of Board members' directorships and major shareholdings is published on UKEF's website.³

The Board has 3 sub-committees: the Audit Committee, the Risk Committee and the Remuneration and Nominations Committee. Membership of these sub-committees comprises non-executive Board members and ex-officio Board members agreed by the UKEF Board.

UKEF is committed to ensuring that the Board and its committees operate effectively and are continually improving. During the summer of 2020 an internal Board effectiveness review was undertaken. Overall the review concluded that the Board and its committees operated effectively. It noted that the executive was sufficiently challenged, and that the focus on the impact of Covid-19 on the current portfolio and future

opportunities was strong. It suggested that the Board agenda could be more strategically focused and that it could engage more effectively with external stakeholders. A report detailing findings and suggested improvements was accepted by the Board and an action plan established for implementing key recommendations during 2020-21 and beyond.

The minutes of Board meetings are published on UKEF's website.

Quality of data used by the Board

The UKEF Board meetings covered a variety of topics to support the running of the department and meeting our objectives, including the impact of Covid-19 on the UKEF portfolio, the MoU between UKEF and DIT, the Industrial Strategy and the Target Operating Model. The Chief Executive's Office provided a comprehensive secretariat service to the Board and its committees to ensure the effective and efficient administration of the Board and its activities. The Board was provided with high-quality Board papers prior to each meeting to aid informed discussion and decision making.

Audit & Risk committees

The annual reports of the Audit and Risk Committees can be found on pages 176-180. Their respective chairs formally report on their activities to the Board.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee comprises at least 3 non-executive directors and is chaired by the Chair of the UKEF Board. This committee considers and agrees on proposals from the Chief Executive on individual pay decisions according to the criteria outlined in guidance from the Cabinet Office about the remuneration of its Senior Civil Service (SCS) members.

It also ensures that these recommendations consider any requirements or guidance from the Cabinet Office, including that the average increase to the SCS pay bill is within any centrally determined budget. The committee also advise the Board on the effectiveness of systems for identifying and developing leadership and high potential, scrutinising the incentive structure and succession planning for the Board and the senior leadership of the Department.

Executive Committee

I am supported in the management of UKEF by the Executive Committee, which I chair. Its membership is composed of senior executives who are all members of the SCS:

- **Gordon Welsh**, Business Group Director: responsible for our support for exporters and product development

- **Cameron Fox**, Chief Finance & Operating Officer: responsible for finance and accounting, business insight and analytics, middle office operations, operational planning, change management and information technology
- **Davinder Mann**, Director of Strategy, Policy and Climate Change: responsible for the department's overall approach to climate change, cross-Whitehall and civil society organisation stakeholder management, strategic planning, governance and information management
- **Esi Eshun**, Director of Legal and Compliance: responsible for legal and financial crime compliance matters and supporting the department in managing legal and compliance risks
- **Samir Parkash**, Chief Risk Officer: responsible for leading the organisation's overall approach to risk management by managing enterprise, financial and credit risk, country risk, operational risk, and related management systems and practices
- **Shane Lynch**, Director of Resources: responsible for all people-related issues, staff administrative functions, strategic workforce planning, commercial functions, facilities and security
- **Richard Simon-Lewis**, Director of Business Development, Marketing & Communications: responsible for securing global opportunities for UK exporters, raising awareness of UKEF's support among exporters and overseas buyers, and generating new business

The minutes of Executive Committee meetings are published on UKEF's website.

There are 3 sub-committees of the Executive Committee, each of which is chaired by a member of the Executive Committee and whose membership is drawn from senior staff in UKEF:

- The Enterprise Risk and Credit Committee (ERiCC), chaired by the Chief Risk Officer, is responsible for advising the Chief Executive on the effective management of credit risk exposures at the case specific and portfolio levels, and operational and enterprise-wide risks across UKEF
- Change Board, chaired by the Chief Finance & Operating Officer, advises on whether UKEF's investment in maintaining and improving its infrastructure, systems and processes is appropriately and effectively targeted and managed, and represents value for money
- The Security and Information Management Committee, chaired by the Director of Resources, is responsible for ensuring that the assets required for the security of UKEF's people, business operations, technological infrastructure and processes are in accordance with UKEF, legal, regulatory and central government requirements

A register of interests is kept up-to-date to identify any potential conflicts of interest involving senior executives and, if necessary, address them. One conflict of interest was raised this year and was managed in line with the relevant procedure.

UKEF has robust policies and supporting processes in place governing the declaration and management of outside business activities, financial

interests and conflicts of interest. The relevant policies and procedures are published on the UKEF intranet and regular reminders are sent to staff regarding their obligations in this area. All staff are required to make an annual return covering the declaration of in-scope financial interests. Staff are required to disclose potential conflicts of interest as they arise, and to seek permission to undertake any outside business activities prior to taking them up. Staff joining UKEF are required to make relevant declarations as part of the pre-employment checking process and it is also covered in the new joiner induction.

Governance in 2020–21

As Accounting Officer, I state that in the financial year:

- all instructions given to me by ministers were in accordance with the EIGA, the Consent and applicable international agreements
- UKEF met all its financial objectives
- UKEF suffered no material operational losses
- UKEF had no major security breaches, data thefts or losses
- I met ministers regularly to brief them on issues related to UKEF, and also briefed as necessary UKGI, HMT and DIT officials so that they could provide informed advice to ministers if and when required
- the appropriate balance of non-executive directors and ex-officio members on the UKEF Board was maintained
- the Executive Committee met at least twice a month throughout the year
- the UKEF Board met 10 times in the year, the Audit Committee met 7 times, the Risk Committee met 4 times and the Remuneration and Nominations Committee met 3 times, all consistent with their terms of reference



Exports Minister
Graham Stuart
addressing UKEF at the
2021 Staff Conference

Ministerial Directions

In the Governance Statement in the UKEF Annual Report and Accounts 2018-19, I disclosed a Ministerial Direction, made on 5 July 2018, for the export of Typhoon aircraft and associated equipment and services to Qatar. Due to the size, final maturity and nature of the transaction, it was not possible for UKEF to support the financing package within its normal underwriting criteria. UKEF's underwriting criteria are agreed as part of the HM Treasury Consent, and transactions outside of these would be considered 'irregular' under the terms of Managing Public Money.

In such circumstances, ministers can instruct UKEF to support transactions outside its normal underwriting criteria but which are judged by ministers to be in the national interest.

The Secretary of State for International Trade consulted with ministerial colleagues including the Chancellor of the Exchequer, who all concluded that the instruction was in the national interest.

Accordingly, the Secretary of State for International Trade instructed me, with the consent of HM Treasury to facilitate the transaction.

UKEF's package of support for the export of Typhoon and Hawk aircraft to Qatar was vital to securing the deal for BAE Systems and MBDA UK. Support in the form of guarantees for 2 buyer credits to finance the BAE Systems and MBDA UK contracts respectively was provided and an option to draw on UKEF direct lending to supplement the buyer credits was also granted to the State of Qatar as part of the financing package. However, this option was not exercisable until the 2020-21 financial year. This option was taken up in 2020-21.

In the Governance Statement in the UKEF Annual Report and Accounts 2019-20, I disclosed a Ministerial Direction, made on 15 April 2019, to increase UKEF's total risk capacity for Iraq to £2 billion to enable further priority projects to be supported in this country on UKEF's standard terms of underwriting.

The uplift in risk capacity for Iraq to £2 billion fell outside of UKEF's established risk framework. Therefore, it was outside my authority to approve such a rise and required a Ministerial Direction. As at 18 June, no business has yet been underwritten under this direction.

During 2020-21 UKEF supported 1 transaction in Iraq which was the fourth phase of General Electric's ongoing "Power Up Program" which entails providing essential maintenance parts and services for various power stations. This transaction was supported under the available limit within UKEF's established risk framework (Accounts 2 and 5) rather than under the increased country limit provided by the Ministerial Direction (Account 3). UKEF intends to use the Account 3 uplift in Iraq capacity only when no capacity remains under its established risk framework. Any use of the Account 3 uplift will be reported in UKEF's Annual Report and Accounts.

UKEF wrote to the Comptroller and Auditor General (C&AG) about both Ministerial Directions during 2018-19 and 2019-20 respectively and the C&AG briefed the Chair of the Public Accounts Committee (PAC). UKEF

has received no further requests for information from the PAC about the Qatar transaction or the increase to UKEF's Iraq country limit.

Members of the UKEF Board and its sub-committees (with attendance figures)

Name of Board member	Role	UKEF Board	Audit Committee	Risk Committee	Remuneration and Nominations Committee
Alistair Clark	Ex-officio Board member, Export Guarantees Advisory Council	10/11	–	–	–
Cameron Fox	Executive Board member	10/11	7/7**	4/4**	–
Noel Harwerth	Non-executive Chair	11/11	4/7**	4/4**	3/3
Shalini Khemka (to 28 February 2021)	Non-executive Board member	10/10***	–	–	2/2
John Mahon (to 31 August 2020)	Ex-officio Board member, Department for International Trade	5/5***	–	–	–
Madelaine McTernan (to 30 November 2020)	Ex-officio Board member, UK Government Investments	7/8***	5/5	3/3	1/1
Andrew Mitchell* (from 22 October 2020)	Ex-officio Board member, Department for International Trade	4/5	–	–	–
Candida Morley* (from 17 December 2020)	Ex-officio Board member, UK Government Investments	3/3	2/2	1/1	1/1
Samir Parkash	Executive Board member	11/11	7/7**	4/4**	–
Oliver Peterken	Non-executive Board member and Chair of Risk Committee	11/11	7/7	4/4	3/3
Louis Taylor	Executive Board member	11/11	7/7**	4/4**	2/3**
Lawrence Weiss	Non-executive Board member and Chair of Audit Committee	11/11	7/7	4/4	3/3
Kim Wiehl	Non-executive Board member	11/11	7/7	4/4	3/3

* Meetings took place before appointees joined the organisation

** Not a member of the committee but attends its meetings (except in relation to matters presenting a conflict of interest)

*** Stood down from the Board during the year

National Audit Office (NAO) and Public Accounts Committee (PAC) reports

In July 2020, the NAO published a report examining DIT and UKEF's progress and performance on export support objectives.⁴ This report noted that they had made a good start in developing a strategy and operating arrangements to better support UK businesses in trading overseas, and made a number of recommendations for both departments to follow.

Based on the NAO report, the Public Accounts Committee conducted an inquiry into Government support for UK exporters, and in September 2020, alongside colleagues from DIT, I gave evidence to the Committee. The PAC published their report⁵ in October 2020.

Work is underway to implement the recommendations made in both the NAO and PAC reports, and this is detailed in the government's response to the PAC, published in January 2021.⁶ Recommendations included:

- establishing a Memorandum of Understanding with DIT
- developing a more integrated approach for working with other government departments, such as BEIS and UK Research and Innovation
- proactively targeting the green technology and renewable energy markets
- increasing the number of small and medium sized enterprises UKEF supports
- making it simpler for smaller businesses to apply for export finance

Memorandum of Understanding between UKEF and DIT

On 30 March 2021, DIT and UKEF signed an MoU which will encourage ever closer collaboration to support and grow UK exports. This MoU sets out how DIT and UKEF, within their respective remits, will jointly deliver shared objectives for trade, exports, and investment. This agreement builds on the strengths of each department and enhances the already strong collaboration between DIT and UKEF by linking teams at all levels to collaborate on mutually agreed actions.

Progress will be reported in each department's future Annual Reports and the UKEF Board will be kept abreast of progress on a quarterly basis.

We have refocused the department's programme of cross-government engagement to ensure that UKEF is better integrated with other government departments and engages with them in a more systematic way. The team has so far worked closely with:

- Cabinet Office and HM Treasury on the Plan for Growth
- Department for the Environment, Food and Rural Affairs on food and drink exports
- Ministry of Defence on the Defence and Security Industrial Strategy
- Department for Education on the International Education Strategy
- BEIS, FCDO, DIT and Cabinet Office on the government's policy on support for overseas fossil fuel projects

In green technology and renewable energy, UKEF is helping drive major investments into UK exporters transitioning to green energy. UKEF's Export Development Guarantee (EDG) can now finance major investments into sustainability in the UK and is already helping support energy transition in the automotive industry. Using the EDG, UKEF has guaranteed over £1.5 billion of loans to Nissan, Ford and Jaguar Land Rover that will help finance their transition to electric vehicle production.

Overseas, UKEF has £2 billion dedicated to financing clean growth projects that will create export opportunities for UK businesses. Since 2019, UKEF has financed over £800 million of renewable energy projects, which include 3 major offshore wind farm projects in Taiwan, and backing for solar powered projects in Spain, Ghana and Zambia.

Recognising that the last year has been particularly challenging for small and medium sized enterprises (SMEs), UKEF has worked hard to increase the number of SMEs it supports. In November 2020, UKEF launched a new "Exporters' Edge" marketing campaign featuring the work of its export finance managers working across the regions and nations of the UK, supporting businesses of all sizes, but predominately SMEs.

In December 2020, UKEF launched the SME-focused General Export Facility (GEF), a new flexible export guarantee scheme that can be used by businesses looking for support valued up to around £25 million. In February 2021, UKEF launched a new guarantee scheme, the Standard Buyer Loan Guarantee, that will help smaller exporters to get paid while allowing their customers an extended period to repay a bank loan guaranteed by UKEF under simplified documentation.

Last year UKEF increased its delegated bank limit from £2 million to £5 million to allow more SME applications to be guaranteed automatically, speeding up the process for exporters – typically SMEs – and their participating banks. Whenever an application meets certain criteria, UKEF's guarantee will be automatically granted to the participating bank, minimising application response times and making the process quicker and simpler for smaller businesses to apply for export finance.

Third-party delivery partners

UKEF works with a network of partners, including commercial finance lenders, commercial insurance brokers, other export credit agencies, other government departments, industry bodies and intermediaries. More information about our partners and operations can be found on pages 65-70.

UKEF will continue to extend and enhance its delivery partner relationships to improve levels of support to its customers.

Risk management and assurance

UKEF is committed to following best practice and public sector standards in areas of governance, accountability, transparency and risk management. Our approach to risk management is described in detail in the Chief Risk Officer's report on pages 71-111.

UKEF's Enterprise Risk Framework provides senior management with a consistent structure and documented approach to identifying, assessing, evaluating and reporting known and emerging risks across UKEF. The framework fosters continuous monitoring, promotes good risk awareness across the organisation and encourages sound operational and strategic decision making.

Risk culture

A strong risk culture is central to good risk management, starting with the 'tone from the top'. Senior leaders within UKEF are key influencers in inculcating the high standards of behaviour and conduct expected in all our teams. To ensure that the Board is kept apprised of UKEF's primary risks and the effectiveness of UKEF's risk management, it receives a monthly report from the Chief Risk Officer covering credit, enterprise and operational risks.

Our risk culture is reinforced by the Civil Service Code and its core values of integrity, honesty, objectivity and impartiality. It forms part of our decision-making process for strategy setting, business planning, product governance, change management, customer service, resourcing and third-party suppliers and partners.

3 lines of defence

All employees are responsible for identifying and managing risk within the scope of their role. UKEF has embedded a '3 lines of defence' framework across the organisation which defines clear responsibilities and accountabilities for decision-making and independent oversight and assurance.

First line of defence	Second line of defence	Third line of defence
Day-to-day management and risk ownership	Risk policies, methodologies and independent oversight and challenge	Independent assurance

Strategic risk

UKEF utilises a forward-looking top and emerging strategic risk assessment process to identify risks and issues that have the potential to impact the delivery of our strategy and operations. We assess the themes and issues identified by our internal risk identification, measurement and management processes, and undertake scanning of the external environment to identify key issues which could impact UKEF.

The strategic risk register is reviewed and updated by the Executive Committee and by the Risk Committee acting on behalf of the Board. The register captures risks that may arise across any combination of our 9 primary enterprise risk categories (as detailed on page 75 of the Chief Risk Officer's Report) within ERM and which have the potential to affect the department's financial performance, reputation or business plan.

Operational risk

Operational risk management (ORM) is an integral part of the Enterprise Risk Framework. Effective management of operational risk is central to achieving our strategic aim of ensuring no viable UK export fails for lack of finance or insurance. UKEF's Operational Risk Policy details the minimum requirements for managing the department's operational risk. This in turn enables staff to make informed decisions based on a sound understanding of our operational risks.

UKEF's approach to ORM is designed to:

- embed risk management, process, control and risk ownership into the 'first line' of defence
- ensure current and emerging operational risks are continually identified, assessed, monitored, managed and reported in a consistent manner
- ensure potential and crystallising risks and incidents are reported and escalated
- ensure appropriate risk management action is prioritised and completed
- provide Enterprise Risk and Credit Committee and Risk Committee with regular assurance in respect of the control environment

UKEF's operational risks primarily arise from our business-as-usual activities. These risks typically involve the possibility of error or oversight leading to a financial loss (other than as a result of properly managed exposure to credit risk), a failure to properly discharge our obligations, or

controls not being designed and/or applied appropriately. Examples of such failures could include:

- credit decisions being made on the basis of incorrect data
- a breach of our reporting requirements to HMT
- a data breach due to a successful cyber-attack
- a failure to obtain requisite authority to enter into a commitment
- a failure to recognise a fraudulent application or request for payment

Enterprise Risk Division actively works with the other second and third line assurance functions and all heads of division across UKEF to reinforce ownership and accountability for risk management, and to ensure the appropriate design, implementation and monitoring of controls is undertaken. Risk is considered in significant strategic decisions by Executive Committee and the Board, in major new projects by Change Board and Executive Committee, and in other prioritisation and resource allocation commitments throughout the business.

UKEF has further developed its second line of defence capability in 2020-21. A programme of assurance testing has commenced to provide senior management with assurance that key controls are in place and operating in accordance with defined procedures.

Governance assurance processes

Each Group in UKEF identifies and manages their key operational risks using the risk and control assessment process which is reviewed and updated quarterly as a minimum. A bi-annual control environment attestation is also completed by all Executive Committee members and submitted to me. This has given us a more robust understanding of our risk and control environment, and greater confidence in its assurance.

In addition, at year-end, supported by a non-executive member of the Board, I chaired a panel which challenged directors on their control and assurance responsibilities, informed by the risk and control assessments, the bi-annual control environment attestation and any reported incidents.

Financial crime compliance

UKEF faces risks of financial loss and damage to its integrity and reputation, from providing support for transactions involving financial crime, including sanctions breaches, fraud, bribery and corruption. Given its role and remit, UKEF cannot guarantee that it will never support such a transaction as it is not an investigatory authority with the powers necessary to detect crime. It is committed, however, to having in place and operating reasonable and proportionate processes, systems and controls to mitigate the risk of supporting such transactions. UKEF's Compliance Division is responsible for ensuring that these risks are identified and appropriately managed, and reports to the Director of Legal and Compliance.

In 2020-21, Compliance Division undertook a number of recruitment activities to further bolster the team and recruitment will continue in 2021-22. In order to ensure that UKEF can access external expertise, and maintain up-to-date knowledge, 2 consultancy contracts were placed on a “call-off as needed” basis. Over time, these will ensure that UKEF’s internal compliance skills continue to develop and increase.

In July 2020, Spotlight on Corruption published a report into the “role of UKEF in fighting corruption in a post-coronavirus and post-Brexit trade drive”. UKEF has given careful consideration to the issues raised in the report, and in particular to each of the recommendations made. UKEF has subsequently met with Spotlight on Corruption alongside EGAC to discuss the report recommendations. Work relating to the report’s recommendations will continue in 2021-22. UKEF acknowledges Spotlight on Corruption’s positive recognition of the department’s actions in relation to the Airbus case, removing Special Handling Arrangements in 2017, reforming UKEF’s anti-corruption procedures and the role played at the OECD in relation to the development and implementation of the revised OECD Recommendation on Bribery and Officially Supported Export Credits.

Compliance Division has implemented changes to UKEF’s external website, to bring together information relating to financial crime compliance into a single external webpage. This is intended to provide greater visibility to customers and external stakeholders on developments in relation to UKEF’s approach to financial crime compliance. This page will remain under regular review and will be updated and added to over time.



UKEF has implemented an automated processing system to support the Business Group, Due Diligence Unit and Compliance Division in undertaking due diligence screening of parties in UKEF transactions. The system facilitates a more effective flow of information in relation to due diligence screenings and supports improved management information and reporting. The full impact of the introduction of the system will be seen during 2021-2022 at the end of the first full year of operation.

In line with commercial practice, UKEF has undertaken a refreshed financial crime risk assessment. The purpose of this is to provide an assessment of the inherent risk faced by UKEF in relation to financial crime risk, existing controls in place (and their effectiveness) and the resulting residual risk. The outcome of the assessment will consider recommendations for future updates to UKEF's compliance framework and associated controls, systems and management information.

As business volumes have increased, so have the number and complexity of transactions reviewed by Compliance Division. Some UKEF customers and transactions remain challenging from a compliance perspective, either as a result of ongoing law enforcement investigations or as a result of issues that have been brought to light by UKEF's own due diligence. UKEF is dealing with such customers and transactions with appropriate rigour, and is applying enhanced and proportionate due diligence processes designed to ensure that the risk of supporting a transaction tainted by financial crime is appropriately managed. Data relating to financial crime compliance activities will continue to be published retrospectively. This data is hosted on the EGAC website.

Cyber security & information risks

Each government department is required to have a nominated board member, or executive director, to discharge oversight and responsibility for security risk management. For UKEF, this is the Director of Resources who is also the Senior Information Risk Owner (SIRO). The SIRO has Executive Committee-level responsibility for information risks, including cyber security risks. He also chairs the Security & Information Management Committee.

UKEF's security framework provides an overview of our approach to ensuring the information assurance of our people, processes and technology. These include background checks on recruitment, resilience training and empowerment of line managers to raise concerns about threats posed by staff. The framework includes a description of the pan-government security environment, overarching principles, and a commentary on UKEF's approach to the mandatory security outcomes set out by the Cabinet Secretary.

To enhance the department's cyber security capability, UKEF has a dedicated protective monitoring function to identify vulnerabilities and threats to our IT infrastructure.

The government has implemented a “cluster” model for security, aligning several departments to share appropriate best practice across their cluster. UKEF is an active member of Cluster 4, which is led by the Foreign, Commonwealth and Development Office, and both the Director of Resources and the Head of Security are part of the cluster’s formal governance arrangements. The cluster is supporting UKEF in upskilling staff in security essentials, including modules on cyber security and information risks. The department has also benefited from developing closer working relationships with key government stakeholders including the Centre for Protection of National Infrastructure, the police and the National Cyber Security Centre (NCSC) (to improve the control environment).

In January 2021 UKEF was assessed by the Government Security Group as having exceeded the standards on all 4 technical areas (cyber, personnel, physical and incident management). This has been independently assessed and verified by an external NCSC cyber security professional organisation.

In 2020-21, UKEF established a Knowledge and Information Management function to promote good information governance and maintain compliance with statutory obligations. UKEF has an Information Management Framework which provides a high-level view of the department’s information management structure and direction for information management practice, as well as roles and responsibilities for managing information. The department has a Data Protection Policy which sets out what UKEF is required to do to ensure that all staff who process personal data do so in accordance with the UK General Data Protection Regulation.

UKEF’s Information Asset Register is maintained by the Business Insight Centre and is available on the staff intranet. All staff are required to undertake role-specific training on managing information.

Procedures are in place to respond to requests for information from the public under information legislation that gives the public rights of access.

Record transfer

Section 3(4) of the Public Records Act 1958 (PRA) requires departments to transfer to The National Archives those records which have been selected for permanent preservation by the time the records are 20 years old. UKEF holds a number of records created between 1996 and 1998, which are potentially in scope of section 3(4), and which are beyond their due date for transfer to the National Archives. These records are currently subject to a retention instrument authorised by The National Archives Advisory Council which extends the retention period by 1 year. The Knowledge and Information Management team has a plan in place to meet our compliance against the PRA by 2022.

Business Continuity Plan

UKEF has continued to develop its ability to respond to an actual or threatened disruption of service delivery with incident management and business continuity planning, training and simulation, with quarterly strategic training and tabletop exercises.

Covid-19

UKEF invested considerable resources into Business Continuity Planning preparation during 2019-20 and as a result the transition to remote working was relatively seamless. Throughout 2020-21 all UKEF staff were able to work remotely, all systems and processes functioned as expected.

This was further enhanced by the provision of office equipment and hardware to ensure the home working environment was optimally configured. The UKEF Incident Management Team oversaw the transition and stood down at the end of Quarter 2 when it was assessed that the organisation was functioning in a “business as usual” manner.

Temporary Covid-19 Risk Framework

During the Covid-19 crisis the government established a temporary £10 billion risk framework (UKEF Temporary Covid-19 Risk Framework (TCRF)) to allow UKEF to continue to provide financial support to UK exporters whose credit ratings have been impacted by Covid-19. More details about the TCRF can be found on page 81.

Internal audit

The Internal Audit and Assurance Division (IAAD) provides UKEF’s internal audit function. IAAD’s purpose, authority, and responsibilities are defined by an internal audit charter which:

- establishes IAAD’s position within UKEF
- authorises access to records, personnel and physical properties relevant to the performance of engagements
- defines the scope of internal audit activities

The Audit Committee, acting on behalf of the Board, approves the Internal Audit Charter.

Based on IAAD’s continued engagement throughout 2020-21, the Head of Internal Audit’s opinion in relation to the adequacy and effectiveness of the framework of governance, risk management and control was ‘Moderate’. This opinion raised thematic issues which are consistent with the contents of this governance statement, including requirements for stronger controls over the IT network, improved monitoring and reporting of the level of UK content in the deals that UKEF support, maintaining

the strong level of control over the activities of the Business Group, and continuing the improvements already made to the organisation's culture.

I meet regularly with the Head of Internal Audit and he also has regular direct communication with the Chair of the Audit Committee and the Audit Committee itself.

Whistleblowing policy

We have a whistleblowing and raising-a-concern policy in place. This policy is based on guidance provided by the Civil Service employee policy, one of the expert services for the Civil Service. This was last updated in March 2018.

No disclosures were made under the policy in 2020-21.

Significant risks and mitigating measures

Monitoring and Reporting UK Content

UKEF has a policy in place whereby we will only support export contracts that comply with a certain minimum level of UK content. However, we do not currently consistently verify the reported level of UK content in the contracts that we support. I am grateful to Internal Audit for bringing this to my attention and I will make sure that the issue is fully addressed in 2021. The risk of not doing so is that banks and exporters do not fully comply with our policy. I am pleased to say that an internal audit in Spring 2020 did not find UKEF had supported any non-compliant contracts.

Business Group: Key Controls

The key controls operating in our Business Group would likely have the greatest consequences for the department if they did not work appropriately. Failure of control could lead to errors or delays in providing exporters with the advice and support that they need as well as legal claims, breaches in security, financial loss, fraud, reputational damage, an adverse impact on the well-being of our employees, and the departure of key members of our staff.

For this reason, the key controls of the Business Group are now audited by IAAD every year. I am pleased to say that no major issues were reported in 2020-21 and that our internal auditors found a very strong level of management control.

Organisational culture

The strong level of control reported by IAAD also reflected the findings of the first ever internal audit of our culture. This audit reported a very high level of appreciation among our staff of the need for internal control, a widespread awareness of the 3 lines of defence model, and a recognition of the importance of risk management and compliance. It was pleasing to see that a strong appreciation of the values of the Civil Service Code was also reported.

Litigation risk

UKEF is currently defending a judicial review in relation to climate related decision making in the Mozambique Liquefied Natural Gas project.

Corporate Governance Code for Central Government Departments

In preparing this statement, I have taken into account the Corporate Governance in Central Government Departments Code of Practice, 2017. I am satisfied that UKEF is able to demonstrate compliance with this code where it applies to UKEF for the relevant period.



Louis Taylor
Chief Executive and Accounting Officer

18 June 2021

Notes

- 1 [This letter is available here: gov.uk/government/publications/letter-from-the-department-of-international-trade-to-uk-export-finance-on-ukefs-annual-priorities/letter-from-the-department-of-international-trade-to-uk-export-finance-on-ukefs-annual-priorities](https://www.gov.uk/government/publications/letter-from-the-department-of-international-trade-to-uk-export-finance-on-ukefs-annual-priorities/letter-from-the-department-of-international-trade-to-uk-export-finance-on-ukefs-annual-priorities)
- 2 [gov.uk/government/organisations/export-guarantees-advisory-council](https://www.gov.uk/government/organisations/export-guarantees-advisory-council)
- 3 [gov.uk/government/organisations/uk-export-finance/about/our-governance#management-structure](https://www.gov.uk/government/organisations/uk-export-finance/about/our-governance#management-structure)
- 4 nao.org.uk/report/department-for-international-trade-and-uk-export-finance-support-for-exports/
- 5 committees.parliament.uk/publications/3195/documents/29615/default/
- 6 committees.parliament.uk/publications/4584/documents/46348/default/

Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed UKEF to prepare for each financial year accounts detailing the resources acquired, held or disposed of during the year and the use of resources by UKEF 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 UKEF and of its net resource outturn, changes in taxpayers' equity and cash flows for the financial year. In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going concern basis
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable

HM Treasury has appointed the Chief Executive as Accounting Officer of UKEF.

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 UKEF's assets, are set out in Managing Public Money published by the HM Treasury. As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that UKEF's auditors are aware of that



Louis Taylor
Chief Executive and
Accounting Officer

information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

I believe that this Annual Report and Accounts is a fair, balanced and understandable account of UKEF's performance in the year, and I take personal responsibility for it and the judgements required for determining that it is fair, balanced and understandable.

A handwritten signature in black ink that reads "Louis Taylor". The signature is written in a cursive style with a long horizontal stroke at the end.

Louis Taylor
Chief Executive and Accounting Officer

18 June 2021

Audit Committee report

The Audit Committee report should be read in conjunction with the Governance Statement which can be found on pages 153-173.

UK Export Finance's Audit Committee Terms of Reference require the Audit Committee to have at least 3 non-executive Board members or other independent representatives agreed by the UKEF Board. Currently I serve as Chair alongside Oliver Peterken and Kim Wiehl – all of whom meet the relevant requirements for independence. Candida Morley is also a member of the Committee, representing UK Government Investments (UKGI) having joined it in January 2021. At the end of November 2020, Madelaine McTernan stepped down as member of the Committee.

Although not members of the Audit Committee, UKEF's Accounting Officer, Chief Finance and Operating Officer, Chief Risk Officer and Head of Internal Audit as well as a representative of External Audit normally attend meetings. The Audit Committee may ask any, or all, of those who normally attend but who are not members to withdraw, so as to facilitate open and frank discussion of particular matters. The Chair of the UKEF Board regularly participates in both the Audit and Risk Committees' meetings as an observer.

The Audit Committee Terms of Reference also provide that at least 1 member of the Committee:

- should have significant, recent and relevant financial experience
- will also be a member of the Risk Committee to help facilitate coordination between the Risk and Audit Committees

The attendees discuss auditors' reports, review and assess the auditing concept and examination process and assess the activities of both external and internal auditors. Private sessions with external and internal auditors take place at Audit Committee meetings when necessary to enable discussion without the presence of management.



Lawrence Weiss
Chair, Audit
Committee

Key tasks and responsibilities

In general, the Audit Committee:

- serves as a focal point for communication and oversight regarding financial accounting and reporting, internal control, actuarial practice, and financial and regulatory compliance
- reviews the Internal Audit and Assurance Department (IAAD) Charter; assesses the IAAD strategy and plan, and the adequacy of the resources available to fulfil it
- considers the adequacy of the policies for the prevention and detection of fraud; and the policies for ensuring compliance with relevant regulatory and legal requirements on whistleblowing
- reviews the draft Annual Report and Accounts

Activities in this year

During 2020-21, in particular the following topics were discussed:

- financial crime compliance
- planning for the change from LIBOR to risk-free rates
- control over UK content
- post balance sheet events 2019-20
- straight through processing
- IAAD work plans, IAAD findings and management implementation of remedial actions
- the work of the external auditors, the terms of their engagement and the external auditor's findings on key judgments and estimates in financial statements
- changes to accounting policies relating to new products, financial reporting changes, the deferment of the application of IFRS 9 & 17

The Audit Committee meets at least 4 times in each year. In 2020-21 it met 7 times.

Lawrence Weiss
Chair, Audit Committee

18 June 2021

Risk Committee report

The Risk Committee report should be read in conjunction with the Governance Statement which can be found on pages 153-173.

UK Export Finance's Risk Committee Terms of Reference require the Committee to be made up of at least 3 non-executive Board members or other independent representatives agreed by the UKEF Board. Currently I serve as Chair, alongside Lawrence Weiss and Kimberley Wiehl, all of whom meet the relevant requirements for independence to serve on this committee. Candida Morley is also a member of the Committee, representing UK Government Investments (UKGI). Candida replaced Madelaine McTernan, who stepped down from the Risk Committee at the end of November 2020.

Although not members of the Risk Committee, UKEF's Accounting Officer, Chief Finance and Operating Officer, Chief Risk Officer and Head of Internal Audit as well as a representative of External Audit normally attend meetings. The Risk Committee may ask any, or all, of those who normally attend but who are not members to withdraw, so as to facilitate open and frank discussion of particular matters. The Chair of the UKEF Board regularly participates in both the Audit and Risk Committees' meetings as an observer.

The Risk Committee Terms of Reference also provide that at least 1 member of the Risk Committee: will also be a member of the Audit Committee to help facilitate coordination between the Risk and Audit Committees

Key tasks and responsibilities

In general, the Risk Committee:

- examines and reviews any material changes to UKEF's key strategic, operational, compliance, credit, country and reputational risks and considers the adequacy of the arrangements for effective risk management and control
- considers the completeness of the risk profile presented and identify and evaluate potential emerging or new risk issues facing the organisation as a whole
- considers the Key Risk Indicators, as set out by the Chief Risk Officer
- considers risk reports from the Chief Risk Officer



Oliver Peterken
Chair, Risk
Committee

- Considers management assurances on Operational Risk, Compliance and Information Assurance
- Reviews reports on the management of major incidents, and lessons learned in the areas relevant to the Committee's scope

Activities in this year:

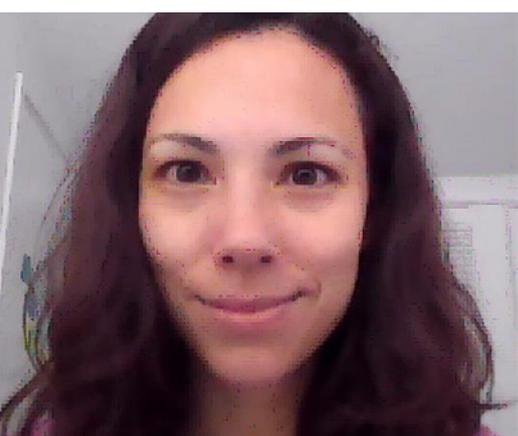
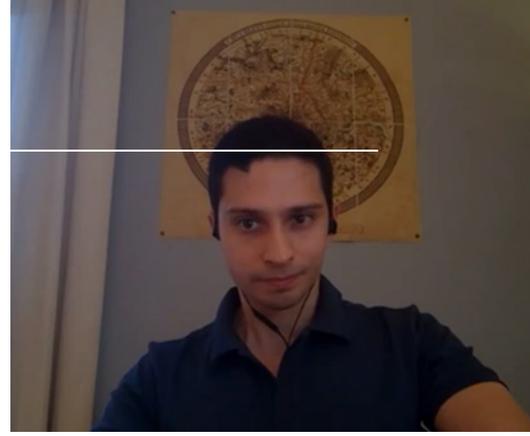
During 2020-21 the following topics were discussed:

- the UKEF portfolio in light of the changing Covid-19 picture
- airline restructuring
- enterprise, operational and strategic risks
- claims scenario analysis
- stress testing and reverse stress testing
- Risk Management Group delegated authorities
- Pricing and credit methodology statements

The Risk Committee meets at least 4 times in each year. In 2020-21 it met 4 times.

Oliver Peterken
Chair, Risk Committee

18 June 2021



UKEF staff attending internal meetings and socials on MS Teams

Our people: staff and remuneration report

The last 12 months have been the most challenging we have faced in recent times. The response of our staff was nothing short of sensational. From the front to the back of our business we have pushed the boundaries, delivering a record set of financial results while providing support to exporters across the UK. Our ambitious change programme remains on track, and the organisation continues to grow and develop.

We have striven to support our staff through the pandemic, providing office equipment to individual homes and implementing more flexible ways of working. We launched new communication channels, a new intranet, and moved all internal events online, including “Ask me Anything” sessions with senior leaders to keep staff engaged and informed while working remotely.

Our staff-led Social Group produced a range of events to raise spirits and ensure staff maintained their ties with colleagues and the department, including quizzes, coffee socials, and photo competitions. We placed a strong focus on mental health and resilience, and actively promoted this approach to respond to the rapidly changing environment. For example, we put additional support in place for our working parents during periods of school closures.

In 2020-21, UKEF’s headcount reached a 20-year high, now standing at 403 headcount (397 full-time equivalent (FTE) employees), evidence of the growing demand for UKEF’s products and services. Our workforce’s growth was facilitated by the HR team completing 171 recruitment campaigns, almost 4 times higher than when I joined the department in 2015. We plan to expand the workforce further during 2021-22 as we head towards 570 UK-based staff, supported by our Spending Review settlement for the coming year.

We have also continued to expand our overseas network of International Export Finance Executives to 11 markets, with a further 4 individuals due to start in Q1 2021-22. These new hires will be covering markets in Malaysia, Philippines, Egypt and North America. The network is also projected to increase further in size during 2021-22 to reach up to 30 key export markets.

Learning & Development activities were significantly disrupted by the pandemic and as a result the average development undertaken per person was 3.4 days, below our 5 days aspiration. Diversity and inclusion remain priorities, and we are very proud that, with 31% of staff identifying as being from ethnic minority groups, we are the most ethnically diverse ministerial department in government. We have also seen the proportion of female staff rise from 37% to 39.2%, while the number of staff declaring a disability almost doubled to 4.2%.



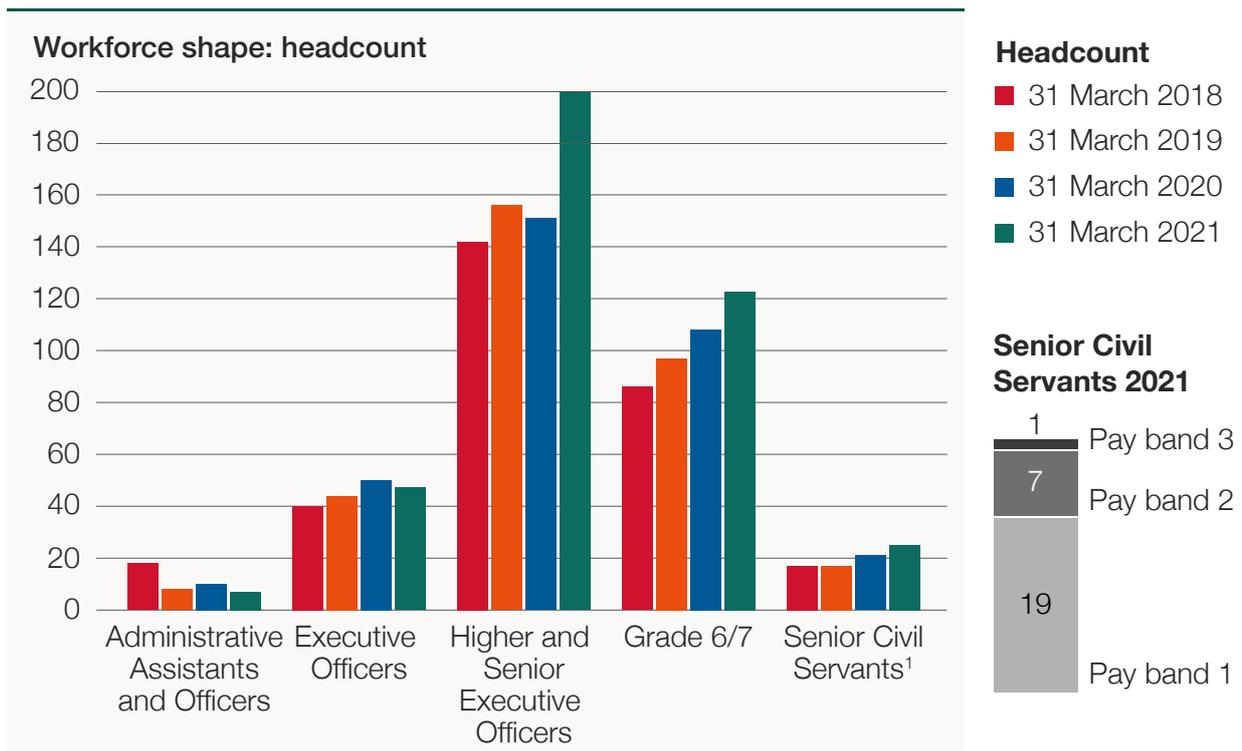
Shane Lynch
Resources Director

Our ambition is to have the most engaged workforce in the Civil Service, and we achieved our highest ever staff engagement score of 71% in this year’s annual Civil Service People Survey, making UKEF staff the second most engaged of any ministerial department. We also achieved our highest ever score in all 9 subcategories and are considered a high performing government department.

We launched our 2020-24 People Strategy in April 2020 and have begun to implement it. Transforming this strategy fully into reality will require the commitment and support of all UKEF staff. Our success as a business depends on us harnessing all our talents.

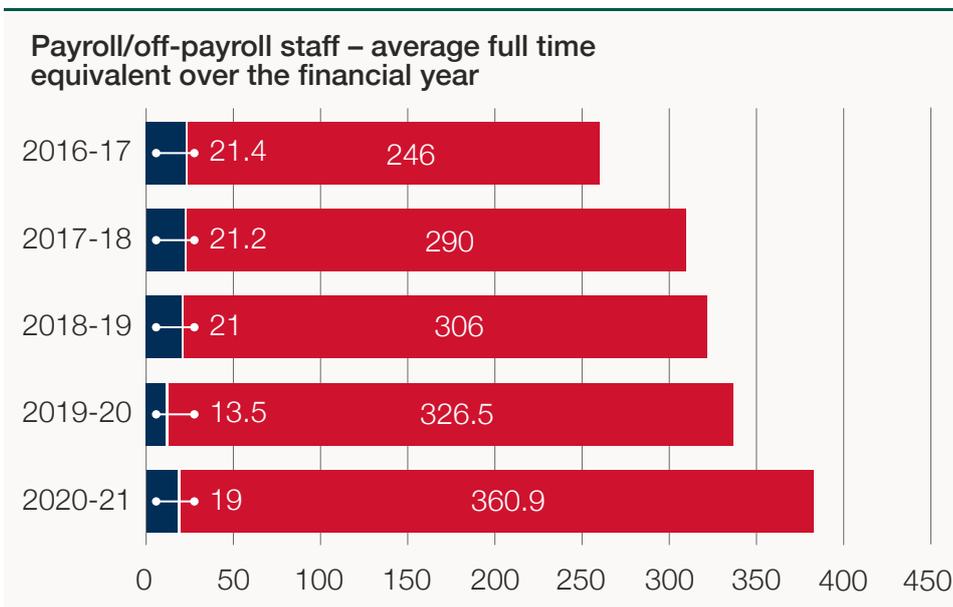
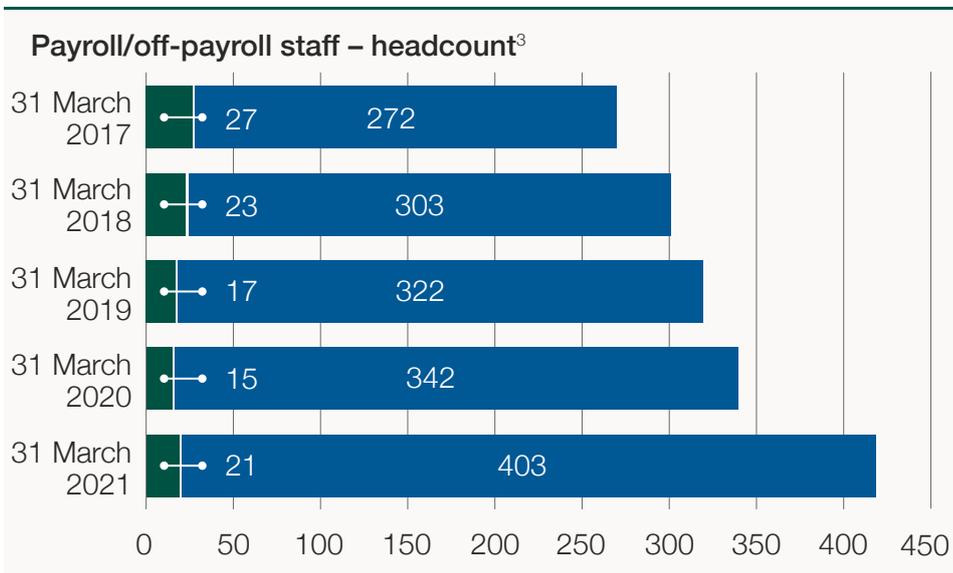
Workforce snapshot

As of 31 March 2021, the directly employed workforce stood at 403 (397.1 FTE). This represents an increase of 18.2% over the previous 12 months and 47.8% over the last 4 years. A strong performance from the UKEF recruitment team has seen vacancy levels fall to their lowest rate in a decade and the department is close to its maximum budgeted headcount.



UKEF’s total staff costs for 2020-21 were £28.4 million (2019-20 £24.5 million) as detailed in Notes 7 and 8 to the accounts; of which £28.1 million relates to staff with a permanent contract and £0.3 million relates to staff on other contracts. The employment costs and declarations of interest relating to UKEF’s ministers and special advisers are disclosed in the Department for International Trade’s Annual Report and Accounts.

A further 19 off-payroll staff were engaged on average per month, predominately supporting our Transformation, Change & Innovation team. For 2020-21 we were set a target of £2.1 million and expenditure was below that at £1.8 million.



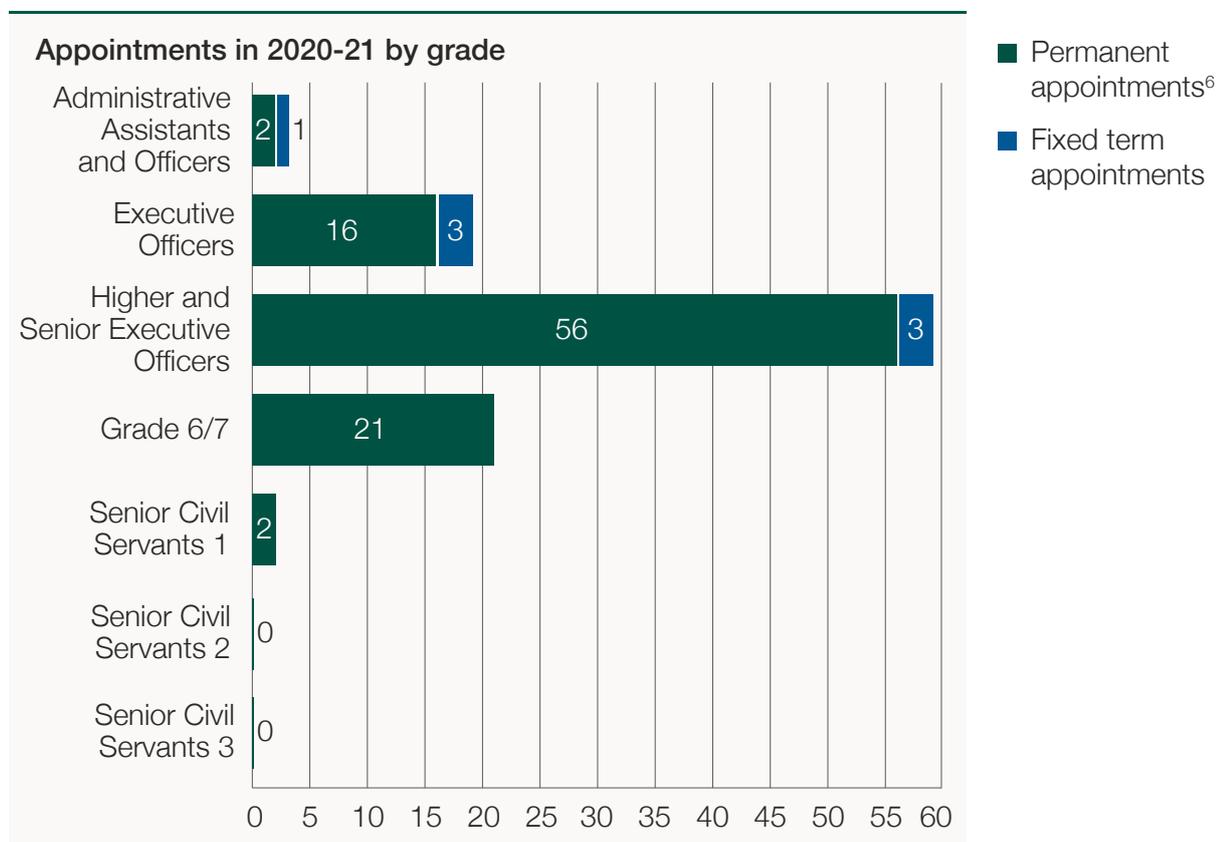
Recruitment

We delivered 171 recruitment campaigns in 2020-21 (an increase of 41% when compared to 2019-20), which resulted in 104 new joiners to UKEF and a further 44 internal moves where employees benefited from either promotion or lateral career development. Over 67% of our hires came from the private sector, reflecting the uniquely commercial nature of UKEF's work within the Civil Service. Staff promotions filled a further 26% of vacancies, a testament to the department's talent and our ability to offer career progression. Furthermore, the number of successful female applicants rose from 32% in 2019-20, to 43% in 2020-21.

Much of our recruitment activity was driven by high staff turnover rates, with exit interview data having highlighted our pay offering as the primary driver behind this. Staff were lost in equal measures to the financial services sector and the relatively buoyant Civil Service jobs market.

Staff turnover has decreased during 2020-21 from 16.23% (2019-20) to 12.02% by the end of March 2021.

All UKEF recruitment is carried out in accordance with the relevant employment legislation and the recruitment principles issued by the Civil Service Commission. In compliance with Business Appointment rules, the department is transparent in the advice given to individual applications for senior staff, including special advisers.



Diversity and Inclusion

The “Value all” pillar of our 2020-24 People Strategy set out our ambition to improve the diversity of our workforce and ensure that all staff are given the opportunity to flourish in a work environment where they feel supported, valued and included.

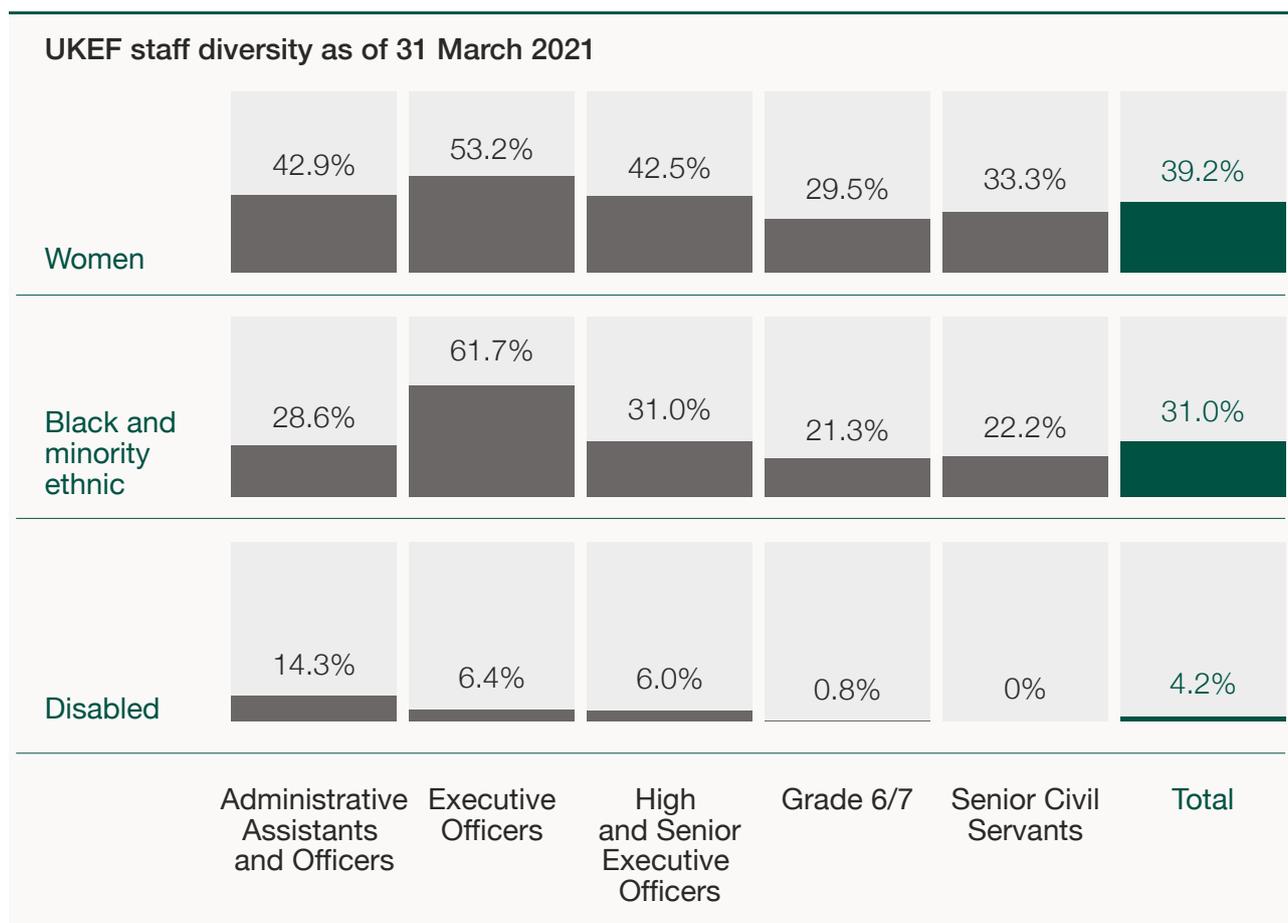
UKEF is now leading the way amongst government departments, with 31% of staff identifying as being from ethnic minority groups, compared to 12.7% for the wider Civil Service. 39.2% of our staff are female, an increase from 37.0% in 2020. The proportion of staff declaring a disability has almost doubled year on year to 4.2%. We recognise that despite the progress made over the last 12 months, more can be done to ensure equal opportunity at all levels of our workforce, and that strong diversity is evenly present throughout the organisation. In line with the ambitions in the remaining years of the People Strategy, we will continue to work with all UKEF staff to this end.

One key enabler of diversity is the recruitment process. The selection process is anonymised to protect against bias, and we offer a guaranteed interview scheme to disabled applicants. All UKEF staff are required to complete training on inclusion in the Civil Service. All recruitment was undertaken online due to the ongoing pandemic. In 2020-21 34.3% of new hires were from ethnic minority groups and 43% were female.

Our colleagues have an essential role to play in creating an inclusive working environment, and our staff networks have become important agents for change. In 2020-21 our Group for Ethnic Minority Staff (GEMS) network was inaugurated, and we also created a group of Disability Advocates to add to our active and well-established Gender Network.

A joint meeting of UKEF’s Gender Network and Group for Ethnic Minorities





Learning and development

We want to create a work environment where learning and continuous development are at the centre of enabling our staff to achieve their potential.

To deliver our Business Plan, we have identified the following priority learning areas for the department:

- Leadership and management
- Customer focus
- Digital
- Data
- Continuous improvement and change management
- Resilience and wellbeing

We also continued to deliver technical training programmes to develop skills that are often unique to UKEF, including legal awareness, compliance, underwriting, the financial impacts of climate change, credit risk analysis and project financing.

The year was particularly challenging for UKEF's Learning & Development team who had to migrate the entire staff offer to a virtual platform whilst balancing the need to induct a large number of new staff into the department with continuing to meet the development requirements of our

existing workforce. There was also significant disruption to the external learning and development market with conferences, seminars and face to face learning activities particularly badly affected.

As a result of this disruption the average number of days spent on formal learning and development activities per employee fell to 3.4 days (5.2 days in 2019-20) with a total of 9,439 hours of learning delivered (12,484 hours in 2019-20). The average spend per head was £784 (£1,143 in 2019-20).

This year's figures represent an excellent performance by our Learning & Development team and demonstrate UKEF's commitment to creating a strong learning culture where all staff have the opportunity to develop their experience, skills and knowledge.

Engagement

We achieved our highest ever staff engagement score of 71% in the annual Civil Service People Survey, and we are now considered to be a "high performing department".

UKEF's score for "Organisational objectives and purpose" was 95%, another record, higher than the previous 11 years of the survey and in the top 5% of the Civil Service. We also achieved strong increases under "Leadership and Managing Change", and another highest ever score for "Learning & Development".

Our ambition is to remain a high performing government department, and we are using the feedback from this year's survey to improve our performance further.



We launched a new intranet in April, which has been widely adopted by staff. We have since produced a flow of news and blogs to keep staff informed and engaged while working remotely. We saw a marked increase in the use of MS Teams and produced 65 virtual events through the year including all-staff Town Hall events, “Ask me Anything” sessions with senior leadership, and staff quizzes to raise spirits while we work remotely.

We delivered UKEF’s first virtual all-staff conference in January, attended by 99% of staff and featuring talks from Exports Minister Graham Stuart MP, the UKEF Board and Executive Committee members, customers, a wellbeing expert and colleagues from across grades, divisions, and staff networks.

Health, safety and wellbeing

UKEF has an employee assistance programme that supports employees in addressing challenges across their work, family and personal lives, as well as an occupational health service to ensure we put in place any reasonable adjustments to support employees in the workplace.

UKEF offers a range of benefits designed to support staff wellbeing, including a cycle to work scheme, eye tests, workstation assessments, flu vaccinations and annual health screening.

We have seen a significant reduction in our sickness levels from 7.2 days per employee in 2015-16 to 2.5 days in 2020-21. This is below the ONS reported average for the public sector (5.6 days).

	31 March 2021	31 March 2020	31 March 2019
Average working days lost	2.5	4.3	2.98
% staff with no sickness absence	69.6%	58.4%	55.7%

Trade union facility time

Our recognised trade union is the Public and Commercial Services Union (PCS). Union representatives meet HR colleagues formally every month. There are also bi-annual meetings between trade union representatives and senior management, led by the Chief Executive Officer.

HR tracks attendance at these meetings, and they equated to an estimated 123 hours of facility time between 7 staff, with an estimated cost of £3,354 during 2020-21. This equates to each of the 7 trade union officials spending less than 1% of their working hours on facility time, and time spent on paid trade union activities as a percentage of total paid facility time hours is estimated to be 100%.

Reward and recognition

HM Treasury has overall responsibility for the government's pay policy. This includes defining the overall parameters for Civil Service pay uplifts each year to ensure that pay awards are consistent with the government's overall objectives.

Cabinet Office has responsibility for Civil Service management. It works with departments and agencies on workforce and reward strategies to cultivate consideration of workforce needs and properly tailored reward policies.

Departments are responsible for implementing the Civil Service pay policy for their workforce in a consistent way with the Civil Service pay guidance and reflects the needs of their business and their labour market position.

All pay remits must be approved by a Secretary of State or responsible minister, and each department, through its Accounting Officer, is responsible for the propriety and regularity of the pay award to staff. UKEF operated its 2020-21 pay award and performance awards within the guidance set by HM Treasury.

UKEF also operates an in-year reward scheme to recognise exceptional pieces of work, effort or activity that support UKEF in achieving its overall objectives. We made 352 awards to employees through this scheme in 2020-21, up from 234 in the previous year.

The Cabinet Office sets the remuneration arrangements for senior civil servants (SCS) based on independent advice from the senior salaries review body.

The remuneration of the ministers responsible for UKEF is disclosed in the Department for International Trade's annual report.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee is constituted as a sub-committee of the UKEF Board and its responsibilities are as follows:

- determine and publish the department's SCS pay strategy
- review the relative contribution of its SCS members
- consider and agree on proposals from the Chief Executive on individual pay decisions in light of the criteria outlined in guidance from the Cabinet Office about the remuneration of its SCS members
- ensure that these recommendations take into account any requirements or guidance from the Cabinet Office
- monitor pay outcomes to ensure that any differences are justified
- monitor the identification of those SCS members needing extra help and support to improve their performance
- communicate pay outcomes to SCS staff
- ensure that line managers receive feedback on final pay decisions so that they can explain to individuals how these have been reached
- at the request of the UKEF Board, advise on the remuneration of new appointments of SCS members

As of 31 March 2021, the membership was:

- Noël Harwerth, non-executive Chair
- Lawrence M. Weiss, non-executive Board member
- Oliver Peterken, non-executive Board member
- Kimberley Wiehl, non-executive Board member
- Candida Morley, ex-officio Board member
- Alistair Clark, ex-officio Board member

Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, the Director of Resources and the Head of Resourcing and Reward are invited to attend all or part of any meeting as and when appropriate.

Salary and pension entitlements for directors

The salary and pension entitlements of the Management Board level Executive Directors of UKEF are set out below. These disclosures have been subject to external audit.

Officials	Salary £'000		Bonus payments £'000		Pension Benefits ⁷ £'000		Total £'000	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
Louis Taylor, Chief Executive	255-260	250-255	30-35	30-35	n/a	n/a	285-290	280-285
Cameron Fox, Chief Finance & Operating Officer	135-140	135-140	0	0	55	54	190-195	190-195
Samir Parkash, Chief Risk Officer	200-205	195-200	7.5-10	0	n/a	n/a	210-215	195-200

Notes

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

Bonuses are based on attained performance levels and are made as part of the appraisal process. The Cabinet Office sets the parameters for SCS performance awards. Due to the nature of the performance appraisal cycle, end-of-year bonuses are paid in the year following that for which the performance has been assessed; therefore, the bonuses reported in 2020-21 relate to performance in 2019-20.

None of the Directors received any benefits-in-kind during the year.

Pay multiples

Reporting bodies are required to disclose the relationship between the remuneration of the most highly paid director in their organisation and the median remuneration of the organisation's workforce. These disclosures have been subject to external audit.

The ratio is calculated by taking the mid-point of the total remuneration of the highest-paid executive director divided by the midpoint of the remuneration (median) of the organisation's workforce. This is based on the remuneration of the highest-paid executive director and remuneration of the full-time equivalent of other staff at the reporting period end. The purpose of this calculation is to allow some comparability over time and across the public and private sector, where similar disclosures are made. However, comparisons should be treated with caution given the different services provided, workforce skills, geographical locations and organisational structures.

	2020-21	2019-20
Band of highest paid director's remuneration ⁸ (£000)	285-290	280-285
Median total ⁹ (£)	44,681	43,604
Remuneration ratio ¹⁰	6.4	6.5

In both 2020-21 and the previous year, no employees received remuneration in excess of the highest paid director. Employee remuneration ranged from £23,626-£290,000 (2019-20, £22,938-£285,000).

Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. Civil servants may be in 1 of 5 defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (“nuvos” or “alpha”, which was introduced on 1 April 2015). The normal pension age for staff in alpha is equal to the member’s state pension age. Since 1 April 2015, newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has 4 sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and 1 providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

Pensions growth and CETV are only shown against Defined Benefit schemes such as those within PCSPS, where there is a specifically defined pension plan on retirement. Partnership, as a Defined Contribution (money-purchase-type) scheme, cannot guarantee any growth apart from the employer and employee contributions.

Further details about the Civil Service pension arrangements can be found at: civilservicepensionscheme.org.uk.

Pension benefits ¹¹	Accrued pension at pension age as at 31/3/21 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2021	CETV at 31 March 2020	Real increase in CETV	Employer contribution to partnership pension account
Officials	£'000	£'000	£'000	£'000	£'000	Nearest £100
Louis Taylor Chief Executive	0	0	0	0	0	38,300
Cameron Fox Chief Finance & Operating Officer	19	3	221	178	26	0
Samir Parkash Chief Risk Officer	0	0	0	0	0	29,700

Accrued pension

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; for alpha, the higher of 65 or state pension age.

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 due to their total membership of the pension scheme, not just their service in the senior capacity to which the disclosure requirement applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member because they have bought additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 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 taken.

Real increase in CETV

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

Staff pension costs

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as “alpha” – are unfunded multi-employer defined benefit schemes but UKEF is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2016. You can find details in the [resource accounts of the Cabinet Office: Civil Superannuation](#).

For 2020-21, employers’ contributions of £4,642,189 were payable to the PCSPS and CSOPS (2019-20 £4,078,546) at 1 of 4 rates in the range 26.6% to 30.3% of pensionable pay, based on salary bands.

The Scheme Actuary reviews employer contributions usually every 4 years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2020-21 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. Employer’s contributions of £299,113 (2019-20: £249,694) were paid to a single provider, Legal & General. Employer contributions are age-related and range from 8% to 14.75% of pensionable pay.

The employer also matches employees’ contributions of up to 3% of pensionable earnings. In addition, employer contributions of £10,704 (2019-20: £8,972), 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Fees paid to Non-Executive Directors and Council members

Non-executive directors are paid a fee for their attendance at UKEF Board, Audit Committee, Risk Committee, Remuneration Committee and other ad hoc meetings, and the performance of other duties as required. They are also paid travel and subsistence expenses. Members of the Export Guarantees Advisory Council (EGAC) are also paid a fee for their meeting attendance.

The total payments to non-executive directors and EGAC members for the year were in the following ranges. These disclosures have been subject to external audit.

Non-executive member	Fees for 2020-21 £000	Fees for 2019-20 £000
Noël Harwerth Chair of UKEF Board, Member of Remuneration and Nominations Committee	45-50	45-50
Lawrence M. Weiss Member of UKEF Board, Member of Risk, Remuneration and Nominations Committee, Chair of Audit Committee	15-20	15-20
Kimberley Wiehl Member of UKEF Board, Member of Audit, Risk, Remuneration and Nominations Committee	10-15	10-15
Oliver Peterken Member of UKEF Board, Chair of Risk Committee, Member of Audit, Remuneration and Nominations Committee	15-20	15-20
Shalini Khemka Member of UKEF Board, Member of Audit Committee	10-15	10-15
Alistair Clark Chair of EGAC, Ex-officio Member of UKEF Board	0 ¹²	n/a
Ben Caldecott Member of EGAC	0-5	n/a
Neil Holt Member of EGAC	0-5	n/a
John Morrison Member of EGAC	0-5	n/a
Stephen Prior Member of EGAC	0-5	n/a
Roseline Wanjiru Member of EGAC	0-5	n/a

Civil servants and public servants employed by other departments and government companies do not receive fees for their attendance at UKEF Board meetings.

Off-payroll engagements

Following the review of tax arrangements of public sector appointees published by the Chief Secretary to the Treasury in 2012, departments now publish annual information on their highly paid and/or senior off-payroll engagements.

The tables below provide information on those off-payroll engagements paid more than £245 per day during 2020-21.

Off payroll engagements that had lasted longer than 6 months as at 31 March 2021

Number of existing engagements at 31 March 2021	11
of which, had existed for	
less than 1 year	3
between 1 and 2 years	4
between 2 and 3 years	0
between 3 and 4 years	1
4 years or more at the time of reporting	3
Total	11

Tax assurance for new off-payroll engagements

Number of new engagements, plus those that reached 6 months duration, between 1 April 2020 and 31 March 2021	12
Declared Inside IR35	4
Outside IR35	8
No. on Department Payroll	0
Nos reassessed, assurance not received	0

The number of existing and new off payroll engagements has increased since 2019-20, this was in order to support both the UKEF change programme as well as to provide specialised technical support to our Business Group and Risk Management teams.

Off-payroll engagements of board members and/or senior officials with significant financial responsibility

No. of off-payroll engagements of board members, and/or senior officials with significant financial responsibility during the year	3
No. of individuals that have been “deemed” board members and or senior officials with significant financial responsibility during the year	16

Cost of off-payroll engagements

The total cost for 2020-21 including engagements of individuals whose daily cost was less than £245 per day was £1,811,376 (2019-20: £1,484,188).

Expenditure on consultancy

Total expenditure on consultancy in 2020-21 amounted to £948,218 (2019-20, £1,140,281).

Compensation for loss of office

No members of staff left under voluntary exit terms during either 2020-21 or 2019-20.

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (CSCS) unless specified as otherwise below. The CSCS is a statutory scheme under the Superannuation Act 1972 and exit costs are accounted for in full in the year of departure. Where the department has agreed to early retirements, the additional costs are met by the department and not by the Civil Service pension scheme.

Ill health retirement costs are met by the pension scheme and are not included in the table above. During 2020-21 no individuals retired early on ill-health grounds (2019-20: 0); the total additional accrued pension liabilities in the year amounted to £0 for 2020-21 (2019-20: £0).

Notes

- 1 21 Senior Civil Servants as at 31 March 2020: SCS3: 1; SCS2: 5; SCS1: 15.
- 2 Casual refers to those employees engaged on a fixed-term appointment of less than 12 months.
- 3 In previous years' Annual Report and Accounts we used FTE numbers in the headcount graph.
- 4 Non-payroll staff encompasses consultants and contingent labour i.e. interim managers, specialist contractors and agency staff.
- 5 Non-payroll staff encompasses consultants and contingent labour i.e. interim managers, specialist contractors and agency staff.
- 6 This includes permanent transfers from other government departments.
- 7 The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20 less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.
- 8 The banded, full time equivalent, annualised of the highest paid director as at 31 March 2021.
- 9 The median, FTE total remuneration of the staff, excluding the highest paid director as at 31 March 2021.
- 10 The pay multiple (ratio) between the highest paid director and all other staff.
- 11 Louis Taylor and Samir Parkash chose not to be covered by the Civil Service pension arrangements during the reporting year.
- 12 Alistair Clark has waived his fee due to employment commitments.



Yorkshire boat builder Parkol Marine Engineering sold a new fishing trawler to Ireland thanks to UKEF

Parliamentary Accountability and Audit

Statement of Outturn against Parliamentary Supply

For the year ended 31 March 2021

In addition to the primary statements prepared under International Financial Reporting Standard (IFRS), the Government Financial Reporting Manual (FRoM) requires UKEF to prepare a Statement of Outturn against Parliamentary Supply (SoPS) and supporting notes.

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

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

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

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

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



Louis Taylor
Chief Executive and
Accounting Officer

The supporting notes detail the following: Outturn by Estimate line, providing a more detailed breakdown (Note 1); a reconciliation of outturn to net operating expenditure in the Statement of Comprehensive Net Income and then put brackets around SOCNI, so it reads (SOCNI) to tie the SoPS to the financial statements (Note 2) and a reconciliation of outturn to net cash requirement (Note 3).

The SoPS and Estimates are compiled against the budgeting framework, which is similar, but different to, IFRS. An understanding of the budgeting framework and an explanation of key terms is provided on pages 113-125, in the financial review section of the performance report. Further information on the Public Spending Framework and the reasons why budgeting rules are different to IFRS can also be found in chapter 1 of the Consolidated Budgeting Guidance, available on gov.uk.

Summary tables 2020-21

		2020-21						2019-20		
Type of spend	SoPS note	Outturn			Estimate			Outturn vs Estimates saving/(excess)		Outturn
		Voted £'000	Non-Voted £'000	Total £'000	Voted £'000	Non-Voted £'000	Total £'000	Voted £'000	Total £'000	Total £'000
Departmental Expenditure Limit (DEL)										
Resource	1.1	(499)	–	(499)	(499)	–	(499)	–	–	911
Capital	1.2	784	–	784	800	–	800	–	16	135
Total DEL		285	–	285	301	–	301	–	16	1,046
Annually Managed Expenditure (AME)										
Resource	1.1	217,719	–	217,719	753,420	–	753,420	–	535,701	(217,744)
Capital	1.2	1,109,370	–	1,109,370	1,486,958	–	1,486,958	–	377,588	307,710
Total AME		1,327,089	–	1,327,089	2,240,378	–	2,240,378	–	913,289	89,966
Total Budget										
Resource	1.1	217,220	–	217,220	752,921	–	752,921	–	535,701	(216,833)
Capital	1.2	1,110,154	–	1,110,154	1,487,758	–	1,487,758	–	377,604	307,845
Total		1,327,374	–	1,327,374	2,240,679	–	2,240,679	–	913,305	91,012

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

Net cash requirement 2020-21

	SoPS Note			2020-21	2019-20
		Outturn	Estimate	Outturn vs Estimate, savings/(excess) £'000	Outturn £'000
		£'000	£'000		
Net cash requirement	3	757,537	1,696,390	938,853	(12,730)

Administration Costs 2020-21

	SoPS Note			2020-21	2019-20
		Outturn	Estimate	Outturn vs Estimate, savings/(excess) £'000	Outturn £'000
		£'000	£'000		
Administration costs	1.1	(499)	(499)	–	(384)

Although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Explanations of variances between the Estimate and the Outturn are given in the management commentary within the Chief Finance and Operating Officer's Report and within SoPS1 below.

The Notes on pages 218-276 form part of the Statement of Outturn against Parliamentary Supply.

Notes to the SoPS, 2020-21

SoPS1. Outturn detail, by Estimate Line

SoPS1.1 Analysis of resource outturn by Estimate line

Type of spend (Resource)	Resource outturn										2020-21	2019-20
	Administration			Programme			Total	Total	Virements	Estimate	Outturn vs Estimate, saving/ (excess) £'000	Outturn Total £'000
	Gross £'000	Income £'000	Net £'000	Gross £'000	Income £'000	Net £'000	£'000	£'000	£'000	Total inc. virements £'000		
Voted spending in DEL												
A. Export Credit Guarantees and Investments	48,782	(49,281)	(499)	–	–	–	(499)	(499)	–	(499)	–	911
Total	48,782	(49,281)	(499)	–	–	–	(499)	(499)	–	(499)	–	911
Voted spending in AME												
B. Export Credits	–	–	–	437,307	(318,492)	118,815	118,815	371,816	–	371,816	253,001	(135,012)
C. Fixed Rate Export Finance Assistance	–	–	–	462	(489)	(27)	(27)	418	–	418	445	(267)
D. Loans and interest equalisation	–	–	–	–	(240)	(240)	(240)	(235)	–	(235)	5	(493)
E. Direct Lending	–	–	–	144,075	(44,904)	99,171	99,171	381,421	–	381,421	282,250	(81,972)
Total	–	–	–	581,844	(364,125)	217,719	217,719	753,420	–	753,420	535,701	(217,744)
Total Resource	48,782	(49,281)	(499)	581,844	(364,125)	217,719	217,220	752,921	–	752,921	535,701	(216,833)

Virements are the reallocation of provision in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HM Treasury).

Explanation of variances between Resource Outturn by Estimate:

A. Voted spending in Resource DEL (RDEL) – UKEF operates (with HM Treasury consent) a zero-net RDEL regime for administration costs whereby a proportion of UKEF's trading income is treated as negative RDEL to fund administration costs. As part of the Spending Review 2019 SR(19) UKEF has a maximum amount of income which can be used to fully offset expenditure. Annually, as part of the Supply Estimates process, HM Treasury approve the maximum amount of UKEF's trading income that can be treated as negative RDEL based on its expected level of activity and affordability. This arrangement is in place as it reflects the fact that UKEF prices premium to cover risk and administration costs.

Typically, a net RDEL outturn of zero shows that UKEF is covering its administration costs from the premium that was written. In 2020-21, however, a small part of RDEL Administration budget, £0.5 million, was transferred from its RDEL to CDEL budget to allow UKEF to carry out an essential laptop refresh for all staff. This budget was in addition to CDEL budget of £0.3 million voted as part of the Supply Estimate process 2020-21.

This meant that UKEF's net RDEL administration budget in 2020-21 became negative due to the previously agreed treatment of the departmental income used to offset the operating costs. The budget transfer from RDEL to CDEL had a zero-net impact on the total DEL budget in 2020-21.

As part of RDEL budget transfer UKEF sought contingency funding from HMT to allow the department to access the funds for purchasing the laptops prior to the Supplementary Estimate 2020-21 being laid, therefore allowing quicker access to the funding than otherwise would have been possible.

B. Export Credits £253 million – the variance is largely a result of the changing economic conditions, including the impact of Covid-19, in regard to the recoverability of insurance assets, change in claims, as well as underwriting fund and foreign exchange movements.

E. Direct Lending £282 million – the variance relates to foreign exchange movements on expected lending activity which cannot be forecast with certainty and which is unhedged. A more detailed explanation of UKEF's foreign exchange risk can be found in the Chief Risk Officer's Report in the Performance section of the Annual Report and Note 20 of the financial statements.

SoPS1.2 Analysis of capital outturn by Estimate line

Type of spend (Capital)	Outturn						Estimate	2020-21	2019-20
	Gross £'000	Income £'000	Net £'000	Total £'000	Virements £'000	Total inc. virements £'000	Outturn vs Estimate, saving/ (excess) £'000	Outturn £'000	
Voted spending in DEL									
A. Export Credit Guarantees and Investments	784	–	784	800	–	800	16	135	
Total	784	–	784	800	–	800	16	135	
Voted spending in AME									
B. Export Credits	–	–	–	–	–	–	–	–	
C. Fixed Rate Export Finance Assistance	–	–	–	–	–	–	–	–	
D. Loans and interest equalisation	–	(2,564)	(2,564)	(2,056)	–	(2,056)	508	(5,142)	
E. Direct Lending	1,237,627	(125,693)	1,111,934	1,489,014	–	1,489,014	377,080	312,852	
Total	1,237,627	(128,257)	1,109,370	1,486,958	–	1,486,958	377,588	307,710	
Total Capital	1,238,411	(128,257)	1,110,154	1,487,758	–	1,487,758	377,604	307,845	

Virements are the reallocation of provision in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HM Treasury).

Explanation of variances between Capital Outturn and Estimate:

E. Direct Lending £377 million – the lower usage of the Direct Lending facility is due to slower utilisation than the headroom provided (to meet possible demand) in the Estimate. Some of the forecast Direct Lending deals have been delayed until 2021-22. More details of UKEF's risks including, foreign currency and liquidity risk can be found in the Chief Risk Officer's Report in the Performance section of the Annual Report and Note 20 of the financial statements.

SoPS2 Reconciliation of outturn to net operating expenditure

The total resource outturn in the SoPS is the same as net operating expenditure in the SoCNE, therefore this reconciliation is not relevant for UKEF.

SoPS3 Reconciliation of net resource outturn to net cash requirement

	SoPS Note	Outturn £'000	Estimate £'000	Outturn vs Estimate, saving/ (excess) £'000
Resource Outturn	SoPS1.1	217,220	752,921	535,701
Capital Outturn	SoPS1.2	1,110,154	1,487,758	377,604
Accruals to cash adjustments:				
<i>Adjustments to remove non-cash items:</i>				
Depreciation & amortisation of equipment and intangible assets		(209)	(430)	(221)
Net foreign exchange differences & other non cash items		(87,118)	(476,403)	(389,285)
New provisions and adjustments to previous provisions		(438,815)	(893,422)	(454,607)
<i>Adjustments to reflect movements in working balances:</i>				
Increase/(Decrease) in receivables		249,038	736,606	487,568
(Increase)/Decrease in payables		(292,733)	89,360	382,093
Use of provisions		–	–	–
Net cash requirement		757,537	1,696,390	938,853

Parliamentary Accountability Disclosures

These disclosures are subject to audit.

Losses

In 2020-21, UKEF made realised and unrealised foreign exchange losses totalling £138 million (as disclosed in Note 6 of the financial statements). These were incurred as part of business as usual activities but are required to be disclosed in this report.

Other Parliamentary Accountability Disclosures

In 2020-21 UKEF has not made any special payments or gifts and does not have any remote contingent liabilities.

There are also no losses, individually or in aggregate in excess of £300,000 which would require separate disclosure during the year or that have been recognised since that date.



Louis Taylor
Chief Executive and Accounting Officer

18 June 2021

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

Opinion on financial statements

I certify that I have audited the financial statements of the Export Credits Guarantee Department (trading as UK Export Finance) for the year ended 31 March 2021 under the Government Resources and Accounts Act 2000. The financial statements comprise the Department's Statements of; Comprehensive Net Income, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

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

In my opinion, the financial statements:

- give a true and fair view of the state of the Department's affairs as at 31 March 2021 and of the Department's net operating loss for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Emphasis of Matter – Significant Uncertainty

Without qualifying my opinion, I draw your attention to the disclosures made in Note 1(B) to the financial statements concerning the significant uncertainty attached to the final outcome of the underwriting activities. The long-term nature of the risk underwritten means that the ultimate outcome will vary as a result of subsequent information and events and may result in significant adjustments to the amounts included in the accounts in future years. Details of the impact of this on the financial statements are provided in Note 1(B) to the financial statements.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2021 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

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

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

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

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Export Credits Guarantee Department's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Export Credits Guarantee Department's

ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

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

Other Information

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

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Export Credits Guarantee Department and its environment obtained in the course of the audit, I have not identified material misstatements in the performance and

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

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

Responsibilities of the Accounting Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

My procedures included the following:

- Inquiring of management, the Export Credits Guarantee Department's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Export Credits Guarantee Department's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Export Credits Guarantee Department's controls relating to compliance with the Export and Investment Guarantees Act 1991 and the HM Treasury consents made thereunder and the UK government sanctions regime;
- discussing among the engagement team and involving relevant internal specialists, including areas around the valuation of insurance assets and liabilities, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and posting of unusual journals;
- obtaining an understanding of Export Credits Guarantee Department's framework of authority as well as other legal and regulatory frameworks that the Export Credits Guarantee Department operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Export Credits Guarantee Department. The key laws and regulations I considered in this context included the Government Resources and Accounts Act 2000, Managing Public Money, Employment Law, tax legislation, the Export and Investment Guarantees Act 1991 and the HM Treasury consents made thereunder and the UK government sanctions regime.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating

- the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- for transactions selected for testing ensured that appropriate authorisations, in line with HM Treasury consents and frameworks, had been obtained.

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

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

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

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

Report

I have no observations to make on these financial statements.

Gareth Davies

Comptroller and Auditor General

21 June 2021

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