Department for International Development

Overseas Superannuation Accounts 2010-11

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

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(For the year ended 31 March 2011)

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Introduction

These accounts are a scheme statement for Overseas Superannuation payments made by the Department for International Development (DFID). They conform as far as possible to the provisions of the Statement of Recommended Practice for Financial Reports of Pension Schemes (revised May 2007).

Overseas Pensions Department (OPD), a department of DFID, is responsible for the administration and payment of pensions and related benefits to former expatriate colonial civil and public servants and their dependants, including those who served in a civil or military capacity in former British India and the Sudan public service. OPD is also responsible for the formulation of the British Government's policy on overseas pensions and UK pension increase supplements.

All payments are treated as Annually Managed Expenditure.

The Minister with responsibility for pensions is Alan Duncan, Minister of State for International Development. The Scheme Manager is Peter Brough, Head of OPD.

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

Management Commentary

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

The element of these pensions arising from service after independence, together with certain widows' pensions, are financed from capital sums which were paid over to the British Government by the overseas governments, or by funded pension schemes which have been wound up, to cover their future liabilities. The British Government meets the cost of the pre-independence element, and the cost of those widows' and dependants' pensions that do not derive from a funded scheme.

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

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

All but one of the schemes is non-contributory: the Indian Military Widows' and Orphans' Scheme, still receives contributions from its members. There are now 19 officers with a registered interest for a potential 24 beneficiaries.

Change in member numbers

The schemes managed by OPD are all closed to new members; the number of pensioners falls each year. Table one below shows the number of pensioners and pensions and the total number of payments made during the last three years.

Table 1

	2010-11	2009-10	2008-09
No. of Service Pensioners	7,711	8,351	9,030
No. of Dependants	7,645	7,946	8,240
Total No. of Pensioners	15,356	16,297	17,270
Total No. of Pensions	32,363	34,456	36,570
Total No. of Payments	164,752	175,903	186,695

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

Table 2

	2010-11 % Change	2009-10 % Change	2008-09 % Change
No. of Service Pensioners	–7.7%	–7.5%	–7.0%
No. of Dependants	–3.8%	–3.6%	–3.0%
Total No. of Pensioners	–5.8%	–5.6%	–5.1%
Total No. of Pensions	–6.1%	–5.8%	–5.4%
Total No. of Payments	–6.3%	–5.8%	–6.8%

Of the current 15,356 pensioners:

- 48 per cent are male;
- 67 per cent live in the UK; the remainder in 93 other countries;
- 87 per cent are paid monthly; 13 per cent quarterly;
- 99 per cent of those living in the UK – 75 per cent of all pensions by value – are paid by Bankers Automated Clearing Service;
- Of the pensions paid overseas, 87 per cent by value are paid through automatic bank credit transfer, where that option is available;
- The average age of service pensioners is 82 years;
- The average age of dependent pensioners is 83 years; and
- The oldest pensioner is now 108 years of age, and there are 80 other centenarians on OPD's books.

Projections of pensioner numbers Estimate that the payments relating to pensioners will be realised by the middle of the century.

Service Standards

A key measure of OPD performance is the service it provides to pensioners. Standards are set through a Service Level Agreement (SLA). OPD's aim is that its service should always be:

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

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

Table 3

	SLA Target %	2010-11 achieved %	2009-10 achieved %
Accuracy of initial payment calculations	97.50	100.00	99.95
Accuracy of initial calculation of new and revised awards	95.00	100.00	100.00
Number of new awards put into payment within 2 weeks	97.50	100.00	100.00
Timeliness of payments by due date	99.00	100.00	100.00
Response to enquiries within 2 weeks of receipt	99.00	100.00	100.00
Response to complaints within 2 weeks of receipt	95.00	100.00	100.00

OPD received a total of four complaints during 2010-11 from pensioners or their agents, one of which was deemed by the Complaints Officer to have valid criticisms about OPD's service.

In this case a deceased pensioner's next of kin complained about the poor and insensitive handling of the immediate post-death correspondence. The OPD Complaints Officer's investigation established that OPD had indeed mishandled the request for confirmation of death, causing unnecessary distress to the pensioner's family. OPD issued a letter of apology immediately to the family. This type of complaint is rare, but does highlight the importance of our service always taking great care in processing these cases.

We investigate customer satisfaction with OPD's service through a questionnaire issued to every new pensioner within six months after his or her first payment. During 2010-11 OPD issued 273 questionnaires of which 138 (51 per cent) were returned. The main conclusions were that:

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

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

Efficiency

Our main measure of efficiency is the cost of OPD administration for each unit of activity. Targets are set in the SLA. The aim is to reduce running costs in line with the continuing reduction in pensioner numbers. Savings are calculated over a three-year period and based on those OPD costs which are directly associated with the award and payment of pensions. Table four below shows performance against SLA target unit costs. Targets are set on the basis of actual costs for the previous year plus inflation.

Table 4

	2010-11 Actual	2010-11 Target Unit Cost	2009-10 Actual
Per pensioner	£31.55	£33.73	£32.43
Per pension	£14.97	£15.95	£15.34
Per payment	£2.94	£3.12	£3.00

On average, unit costs were about 6.3 per cent inside target for this year.

Information assurance

A large quantity of personal and sensitive data is kept for the Overseas Superannuation. A governance structure is in place for information security and risk management and we refreshed our Information Asset Owner network in 2010-11. In February 2011, DFID's information security management system was subject to a full re-assessment by an independently accredited certification body and was found to be compliant with ISO/IEC 27001:2005, the internationally recognised standard for information security management certification.

DFID identified no reportable incidents of the loss of any personal data to the Information Commissioner's Office in 2010-11 and the Information Commissioner made no findings against DFID for breach of Data Protection principles. No such incidents were reported in the previous five years.

Financial Review

The main factors affecting the valuation of the pension scheme was the announcement in the budget on 22 June 2010 that the Government will adopt the Consumer Price Index (CPI), rather than the Retail Prices Index (RPI), for the indexation of public service pensions from April 2011. As part of the consultation for implementing this change there were two proposals: the change would have no impact on expenditure; or it would be deemed a change in benefits, which requires reflection in the Statement of Comprehensive Net Expenditure. HM Treasury and NAO have now determined that the change should be reflected as a change in benefits. The move to CPI, from RPI, resulted in a past service cost of negative £114.5 million. This change was communicated after the latest point to amend our resource requirement at the spring supplementary estimate and therefore we are showing a significant under spend against estimate.

Pensions paid in 2010-11 were £98 million (2009-10: £105 million). The Net Cash Requirement was £98 million (2009-10: £105 million).

Under IAS 19 *Employee Benefits*, a resource expense is shown in the Summary of Resource Outturn and the Statement of Comprehensive Net Expenditure for the interest cost, increasing the discounted liabilities, because future benefit payments are one year closer to settlement. The interest cost is determined by the chosen discount rate and assumptions about price inflation. For 2010-11 liabilities were discounted at a nominal rate of 5.6 per cent based on the real discount rate of 2.9 per cent. The interest cost was £53.3 million (2009-10: £69.9 million).

DFID management have reviewed the assumptions used in the latest actuarial valuation update and are content that the assumptions are reasonable. Taking account of movements in the year the liability at 31 March 2011 was valued as £1,125 million (2009-10: £1,293 million).

Primarily due to the pension provision, at 31 March 2011 the statement of financial position shows negative taxpayers' equity of £1,126 million (2009-10: £1,293 million). In common with other obligations of government departments, the future financing of pension liabilities will be met from grants of Supply approved annually by Parliament. There is no reason to believe that future approvals will not be forthcoming and it has accordingly been considered appropriate to adopt a going concern basis for the preparation of these accounts.

OPD costs for managing pensions are part of DFID administrative expenditure and are included in the main DFID Departmental Accounts. In 2010-11 administration costs were £719,881 (2009-10: £833,330).

The figure for the Net Cash Requirement was 3 per cent lower than the Estimate. The variance in the Net Cash Requirement from Estimate reflects the lower than forecast payments to pensioners in the year.

Table five below shows a reconciliation of resource expenditure outturn between Estimates, Accounts and Budgets. The large difference between the Estimate and Outturn is due to the change from RPI to CPI, as discussed above. This amounts to £114.5 million, which accounts for the majority of the difference.

£000	2010-11	2009-10
Net Resource Outturn (Estimates)	**58,611**	**71,414**
Savings on actual outturn compared with Estimate	(119,901)	(1,494)
Net Operating Cost (Accounts) and Resource Budget Outturn (Budget)	**(61,290)**	**69,920**
of which:		
Departmental Expenditure Limit (DEL)	–	–
Annually Managed Expenditure (AME)	**(61,290)**	**69,920**

Audit arrangements

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

Management Board

Mark Lowcock, Permanent Secretary and Principal Accounting Officer, is the official Head of Department. The Permanent Secretary is appointed by the Prime Minister on the recommendation of the Head of the Home Civil Service, with the agreement of the relevant Secretary of State. The appointment to DFID is an extendable term appointment under the terms of the Senior Civil Service Contract. Provisions for termination are those in Chapter 11 of the Civil Service Management Code. Dr Nemat Shafik vacated this role with effect from 1 April 2011. Mark Lowcock was appointed Acting Permanent Secretary and Interim Accounting Officer with effect from 1 April 2011. Following a full recruitment process, commissioned by Cabinet Office, Mark Lowcock was appointed Permanent Secretary and Principal Accounting Officer with effect from 9 June 2011.

DFID currently has a six member Management Board:

- Mark Lowcock, Chair, (appointed as interim Chair in April 2011 and confirmed as permanent Chair in June 2011; appointed to Board in April 2003)
- Richard Calvert, Director General, Corporate Services (appointed to current position August 2009, appointed to Board in August 2009)
- Michael Anderson, Director General, Policy and International (appointed to current position in April 2010; appointed to Board in April 2010)
- Joy Hutcheon, Acting Director General, Country Programmes (appointed to current position in April 2011, appointed to Board in April 2011)
- Sharon White, Director General, Middle East and Northern Africa (appointed to current position in April 2011, appointed to Board in April 2011)
- Doreen Langston, Non-Executive Director and Chair of Audit Committee (appointed to Board in January 2008)

In May 2010 Martin Dinham left his position as Director General, International and Sam Sharpe left his position as Director, Finance and Corporate Performance in September 2010. David McLeod left his role as Non-Executive Director in December 2010. Dr Nemat Shafik left her role as Chair, Permanent Secretary and Accounting Officer with effect from 31 March 2011.

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

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

Principal risks and uncertainties

The key risk which the Superannuation Scheme faces is the continued (unauthorised) payout of pension benefits after a member has died. To mitigate against this risk, the Scheme requires all members to complete and return a signed annual declaration confirming their identity. Further details are provided in the Statement on Internal Control.

Events after the reporting period

The Department for International Development Overseas Superannuation Accounts are laid before the Houses of Parliament by HM Treasury. IAS 10 *Events after the reporting period* requires the Department for International Development Overseas Superannuation Accounts to disclose the date on which the accounts are authorised for issue. This is the date on which the accounts are certified by the Comptroller and Auditor General.

Change from RPI to CPI

In the UK Budget Statement of 22 June 2010, the Chancellor of the Exchequer announced that, with effect from 1 April 2011, the Government would use the Consumer Prices Index (CPI) rather than the retail Prices Index (RPI) for the price indexation of benefits and tax credits; and that this would also apply to public service pensions through the statutory link to the indexation of the Second State Pension.

The change from RPI to CPI for the purposes of up rating index-linked features of post employment benefits has been recognised as a negative past service cost in accordance with IAS 19. This accounting treatment has been adopted by all central Government reporting entities where RPI has been used for inflation indexing for many years.

The question of whether, as regards the main public service pensions schemes, there is a legitimate expectation that RPI will be used for inflation indexing is currently before the courts in judicial review proceedings. The Government case is that no legitimate expectation exists and that, in any event, even if there was a legitimate expectation this was overridden by the clear public interest in making very substantial savings at a time when the Government had adjudged that deficit reduction was a fundamental objective for the country. If the Government's case is proven, there would be no change to the accounting treatment adopted in these accounts.

Change in Accounting Officer

Dr Nemat Shafik vacated the role of Permanent Secretary and Accounting Officer with effect from 1 April 2011. Mark Lowcock was appointed Acting Permanent Secretary and Interim Accounting Officer with effect from 1 April 2011. Following a full recruitment process, commissioned by Cabinet Office, Mark Lowcock was appointed Permanent Secretary and Principal Accounting Officer with effect from 9 June 2011.

Managers and Advisers

Accounting Officer	Mark Lowcock Accounting Officer for the Overseas Pension Schemes Department for International Development 1 Palace Street London SW1 5HE
Managers	Overseas Pensions Department (OPD) Department for International Development (DFID) East Kilbride G75 8EA

Advisers

Pension Scheme Actuary:	Government Actuary's Department, Finlaison House, 15-17 Furnival Street, London EC4A 1AB
Bankers:	Royal Bank of Scotland plc, London Corporate SC, PO Box 39952, 21 / 2 Devonshire Square London EC2M 4XJ
	Citibank, N A Citigroup Centre, Canada Square, Canary Wharf, London E15 5LB
Legal Advisers:	Office of the Solicitor to the Advocate General for Scotland, Victoria Quay, Edinburgh EH6 6QQ

Auditors

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

Further Information

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

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

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

Mark Lowcock

Accounting Officer for the Department for International Development and Overseas Pension Schemes (appointed Interim with effect from 1 April 2011, Permanent appointment with effect from 9 June 2011)

24 June 2011

Report of the Actuary

Pension Schemes administered by the Department for International Development

Accounts for the year ended 31 March 2011

Introduction

This statement has been prepared by the Government Actuary's Department at the request of the Department for International Development ('DFID' or 'the Department'). It summarises the pensions disclosures required for the 2010-11 Accounts of the Overseas Superannuation schemes (the 'schemes').

The schemes are defined benefit schemes, and the benefits are paid under the Overseas Pensions Act 1973, the Pensions (Increase) Act 1971 (as amended), the Hong Kong (Overseas Public Servants) Act 1885 and the UK Police and Firemen Acts. We have not been provided with copies of the full legislation governing all the schemes. The schemes are wholly unfunded. I am not aware of any informal practices operated within the scheme which lead to constructive obligation (under IAS19 constructive obligations should be included in the measurement of the actuarial liability).

The statement is based on an assessment of the liabilities as at 31 March 2010, with an approximate updating to 31 March 2011 to reflect known changes.

Methodology

The present value of the liabilities has been determined using the Projected Unit Credit Method (PUCM), adapted so that active member liabilities are valued as if they retire immediately but allowing for full service up to normal retirement age. This approach was agreed with the Department for previous assessments in view of the very small active membership. The contribution rate for accruing costs in the year ended 31 March 2011 was nil because of the way the methodology has been adapted for active members.

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

Principal financial assumptions

With effect from 31 March 2011, the assumed rate of return in excess of pension increases was increased from 1.8% a year to 2.9% a year. In addition, with effect from 31 March 2011, the assumed rate of future pension increases is 2.65% a year (changed from 2.75% as at 31 March 2010).

The pension increase assumption as at 31 March 2011 is based on the Consumer Price Index (CPI) expectation of inflation rather than the Retail Prices Index (RPI). This is a consequence of the Government's announcement that CPI is to be used for the indexation of public service pensions from April 2011.

Demographic assumptions

The demographic assumptions adopted for the assessment of the liabilities as at 31 March 2011 are the same as those adopted for the 2009-10 Accounts.

The standard mortality tables known as '92' series are used without any adjustment to baseline mortality. Mortality improvements are in accordance with those incorporated in the 2008-based principal population projections for the United Kingdom.

Pension costs

The cost of benefits accruing in the year ended 31 March 2011 (the current Service Cost) is nil as a result of the adaption to the PUCM method agreed for the valuation of the active membership.

The move to CPI (rather than RPI) indexation of pension from April 2011 results in a past service cost of negative £114.5 million (i.e. a negative past service cost). The total pension cost (the current service cost plus the past service cost) for 2010-11 is therefore negative £114.5 million.

Sandra Bell
Government Actuary's Department
19 May 2011

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Department for International Development to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.

The accounts are prepared on an accruals basis and must show a true and fair view of the financial transactions of the combined schemes during the year and the disposition, at the end of the financial year, of the combined net liabilities.

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; and
- Prepare the accounts on a going concern basis.

HM Treasury has appointed me, as Permanent Secretary, Accounting Officer of the Department and also Accounting Officer for the Overseas Pension Schemes. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the pension scheme, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in Managing Public Money.

Mark Lowcock
Accounting Officer for the Department for International Development and Overseas Pension Schemes (appointed Interim with effect from 1 April 2011, Permanent appointment with effect from 9 June 2011)

24 June 2011

Statement on Internal Control

1. Scope of Responsibility

As Accounting Officer I have responsibility for maintaining a sound system of internal control that supports the achievement of the policies, aims and objectives of the Department for International Development (DFID) whilst safeguarding the public funds for which I am personally responsible in accordance with the responsibilities assigned to me in Managing Public Money. As Accounting Officer for the Overseas Pensions Scheme I have particular responsibility for the activities carried out through DFID's Overseas Pensions Department (OPD). I took over the responsibility of the Overseas Pensions Scheme on 1 April 2011 and have been given assurances from my predecessor, Dr Nemat Shafik, and the Director of Value for Money who oversees the Overseas Pensions Department.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in DFID and OPD for the year ended 31 March 2011 and up to the date of approval of the accounts and accounts and accords with Treasury Guidance.

3. Capacity to handle risk

DFID's capacity to handle risk is set out in the Statement on Internal Control in DFID's Departmental Account. This includes the overall responsibility of the Management Board in respect of risk management, and details of the integration of risk management throughout the Department.

4. The risk and control framework

DFID's processes for identifying, evaluating and managing risk are set out in the Statement on Internal Control in DFID's Departmental Account. These processes include the identification, evaluation and review of risk by the Management Board. Risks associated with the work of OPD do not figure among the strategic and policy risks monitored by the Board.

The Director, Director Value for Money, is accountable to the Management Board for the work of OPD and for associated risks. She has prepared an annual delivery plan which includes consideration of these risks.

Control of risk is partly exercised through setting of performance standards for OPD in a Service Level Agreement (SLA). The SLA defines the required performance standards and efficiencies and these are subject to regular monitoring and review.

In OPD, consistent compliance with prescribed procedures is promoted and supported through general and OPD-specific guidance manuals, training programmes, help desks, and central scrutiny and checks. OPD has in place controls to address the risk that pensions continue in payment after the death of beneficiaries. OPD also has contingency plans in place to respond to threats to key information systems and, where possible, to maintain continuity of operations.

In relation to information assurance and personal data security, DFID has renewed its certification to ISO/IEC 27001:2005, the internationally recognised standard for information security management. This provides considerable assurance on the efficacy of our information security management system. DFID has a Senior Information Risk Owner, who reports regularly to the Management Board on information risk, including an annual DFID information risk assessment report to the Permanent Secretary.

DFID is required to report on data incidents which meet criteria for severity to central government and to the Information Commissioner's Office. OPD had no incidents which met these criteria in 2010-11. We did take action in line with our existing procedures on a minor incident involving one external service provider, who failed to maintain security for a very brief period on a small amount of personal data relating to 34 overseas pensioners, which the supplier was processing on our behalf. No information was lost and DFID received written undertakings from the provider in response to our concerns. No repeat of the incident has occurred. Details of the incident were passed to Cabinet Office for information, although it was not sufficiently serious to meet their criteria for formal reporting.

5. Review of effectiveness

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

A key risk that OPD faces is making continued pension payments following the death of a pensioner. To mitigate against this risk the scheme requires all members/beneficiaries to complete and return a signed annual declaration confirming their identity. During the year, one case of attempted fraud has been identified. DFID issued a payable order (PO) in April 2010 to a widow in Yemen in respect of a balance to the estate. We were advised that the payable order was not received, but the payment had in fact been cleared through the banking system in June 2010. A copy of the cleared PO, credited to an account in Germany, was issued to the widow. The widow maintained she had not received the original PO or the £1,487.06 sum involved. The case was passed to Internal Audit who were unable to resolve the issue and the investigation was closed. The widow has not pursued her original claims further and the issue appears to be settled without loss to the department.

The suspected fraud case notified in 2009-10 was pursued by Internal Audit and the Police. The investigation was unsuccessful in recovering any of the overpayment and the case was closed.

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

Over the course of the year, the internal audit function of DFID selects a random sample of departments to review. OPD was not selected during 2010-11.

6. Significant internal control issues

There were no internal control issues found during 2010-11. An Internal Control framework is in place where all internal controls are being continually reviewed. This allows OPD to respond and adapt quickly to any change in circumstances.

Within the accounts there is a gain within Past Service Costs, which arises from the changes in indexation from RPI to CPI. This change was set by Treasury and is therefore out with our control.

Mark Lowcock
Accounting Officer for the Department for International Development and Overseas Pension Schemes (appointed Interim with effect from 1 April 2011, Permanent appointment with effect from 9 June 2011)

24 June 2011

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

I certify that I have audited the financial statements of the Department for International Development Overseas Superannuation pension scheme for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

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

Opinion on the financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the scheme's affairs as at 31 March 2011, and of its net cash requirement, net resource outturn, and net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000.

Opinion on other matters

In my opinion, the information given in the Report of the Managers and the Report of the Actuary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters for which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

4 July 2011

Statement of Parliamentary Supply
Summary of Resource Outturn 2010-11

		Estimate			Outturn 2010-11 £000				2009-10 £000 Outturn
Request for Resources	**Note**	**Gross Expenditure**	**A in A**	**Net Total**	**Gross Expenditure**	**A in A**	**Net Total**	**Net total outturn compared with Estimate: saving/ (excess)**	**Net Total**
Overseas Superannuation									
Pensions expense	3	58,616	5	58,611	(61,290)*	–	(61,290)	119,901	69,920
Total Resources		**58,616**	**5**	**58,611**	**(61,290)**	**–**	**(61,290)**	**119,901**	**69,920**

Summary of net cash requirement 2010-11		2010-11 £000			2009-10 £000
	Note	**Estimate**	**Outturn**	**Net total Outturn compared with Estimate: saving/ (excess)**	Outturn
Net Cash Requirement	4	100,995	97,963	3,032	105,042

Summary of income payable to the Consolidated Fund

In addition to appropriations-in-aid, the following income relates to the Pension Scheme and is payable to the Consolidated Fund (cash receipts being shown in italics):

		Forecast 2010-11		**Outturn 2010-11**	
		£000	**£000**	**£000**	**£000**
	Note	**Income**	***Receipts***	**Income**	***Receipts***
Total	5	–	–	–	–

*The Pension Expense differs significantly against estimate due to the change from RPI to CPI when calculating actuarial liabilities. NAO and HM Treasury have confirmed this should be reflected as a change in benefits as opposed to original guidance as a change in actuarial assumptions, which would have been reflected in the reserve movement.

Further explanations of variances against Estimate are provided in the Financial Review within the Report of the Managers.

The Notes on pages 20–29 form part of these accounts

Statement of Comprehensive Net Expenditure for the year ended 31 March 2011

	Note	2010-11 £000	2009-10 £000
Income			
Other pension income	5	–	(5)
Expenditure			
Interest on scheme liabilities	10.2	53,254	69,924
Other expenditure		(114,544)	1
Net Expenditure		**(61,290)**	**69,920**
Other Comprehensive Net Expenditure			
(Gain)/Loss due to change in financial assumptions	10.3	(15,952)	156,509
Loss due to change in mortality assumptions	10.3	12,832	9,465
Experience gain arising on scheme liabilities	10.3	(5,245)	(79,206)
Recognised gains and losses for the financial year		**(8,365)**	**86,768**
Total Comprehensive Net Expenditure for the year ended 31 March 2011		**(69,655)**	**156,688**

The Notes on pages 20-29 form part of these accounts

All expenditure is classified as Grants from Annually Managed Expenditure

Statement of Financial Position as at 31 March 2011

	Note	31 March 2011 £000	31 March 2010 £000
Current assets			
Receivables	7	206	310
Cash and cash equivalents	8	3,032	3,122
Total		**3,238**	**3,432**
Payables – amounts falling due within one year			
Payables	9.1	(1,142)	(1,142)
Consolidated fund for unused supply	9.2	(3,032)	(3,122)
Total		(4,174)	(4,264)
Net current liabilities, excluding pension liability		**(936)**	**(832)**
Pension Liability	10.2	(1,124,900)	(1,292,622)
Net liabilities		**(1,125,836)**	**(1,293,454)**
Taxpayers' equity			
General fund	11	(1,125,836)	(1,293,454)
		(1,125,836)	**(1,293,454)**

The Notes on pages 20-29 form part of these accounts

Mark Lowcock
Accounting Officer for the Department for International Development and Overseas Pension Schemes (appointed Interim with effect from 1 April 2011, Permanent appointment with effect from 9 June 2011)

24 June 2011

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2011

	Note	General Fund 2010-11 £000	2009-10 £000
Balance at 1 April 2010		**1,293,454**	**1,241,808**
Net Parliamentary Funding – drawn down		(97,873)	(105,160)
Net Parliamentary Funding – deemed		(3,122)	(3,004)
Consolidated Fund Standing Services		–	–
Supply payable adjustment		3,032	3,122
Excess Vote – Prior Year		–	–
Excess Appropriations–in–Aid		–	–
Extra receipts payable to the Consolidated Fund		–	–
Net Outgoings for the Year		(61,290)	69,920
Actuarial (gain)/loss		(8,365)	86,768
Net change in Taxpayers' Equity		(167,618)	51,646
Balance at 31 March 2011	11	**1,125,836**	**1,293,454**

The Notes on pages 20-29 form part of these accounts

Statement of Cash Flows for the year ended 31 March 2011

	Note	2010-11 £000	2009-10 £000
Cash flows from operating activities	12.1	(97,963)	(105,042)
Receipts due to the Consolidated Fund outside the scope of the Department's activities		–	–
Cash Flows from Net Parliamentary Financing	12.2	97,873	105,160
Net (decrease)/increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		(90)	118
Payments of amounts due to the Consolidated Fund		–	–
Net (decrease)/increase in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	12.3	**(90)**	**118**
Cash and cash equivalents at the beginning of the period	8	3,122	3,004
Cash and cash equivalents at the end of the period	8	3,032	3,122

The Notes on pages 20-29 form part of these accounts

Notes to the Scheme Statements for the period ended 31 March 2011

1 Basis of preparation and coverage

1.1 The scheme statements have been prepared in accordance with the relevant provisions of the 2010-11 Government Financial Reporting Manual (FReM) issued by HM Treasury, which reflect the requirements of IAS 19 *Employee Benefits* and IAS 26 *Accounting and Reporting by Retirement Benefit Plans*. These accounts also follow the provisions of the Government Resources and Accounts Act 2000.

1.2 In addition to the primary statements prepared under IFRS, the FreM also requires the scheme to prepare an additional statement – a Statement of Parliamentary Supply. This, and its supporting notes, show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

1.3 The scheme statements summarises the transactions of the superannuation scheme which acts as a principal. The Statement of Financial Position shows the deficit on the scheme; the Statement of Comprehensive Net Expenditure shows, amongst other things, the movements in the liability analysed between the pension cost and the interest on the scheme liability. A full actuarial valuation of the schemes is carried out every four years and a summary of the actuarial position of the pension scheme is set out in the Report of the Actuary on page 8. The scheme statement should be read in conjunction with that report.

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

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

2 Accounting Policies

2.1 Provision is made for liabilities to pay pensions and other benefits in the future. The schemes' liabilities are measured on an actuarial basis using the projected unit method and are discounted at 2.9 per cent real. The discount rate is determined by HM Treasury.

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

2.3 Pension benefits payable are accounted for as a decrease in the schemes' liabilities on an accruals basis.

2.4 Full actuarial valuations of the schemes' liabilities are prepared every four years by GAD and was last carried out at 31 March 2010. Between these valuations the Actuary reviews the most recent valuation at the statement of financial position date and updates it as necessary to reflect current conditions. Actuarial gains and losses arising from valuations and reviews are recognised in the Statement of Recognised Gains and Losses for the year.

2.5 DFID acts as an agent in making certain payments to pensioners using funds provided by other Government. Liability remains with the governments and is not part of the Statement of Financial Position pension liability.

2 Accounting Policies (continued)

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

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

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

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

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

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

3 Reconciliation of net resource outturn to net outgoings

				2010-11 £000	2009-10 £000
	Note	Supply Estimate	Outturn	Outturn compared with Supply Estimate	Outturn
Net resource outturn	4	58,611	(61,290)	119,901	69,920
Non-supply income (CFERs)		–	–	–	–
Net Outgoings		**58,611**	**(61,290)**	**119,901**	**69,920**

4 Reconciliation of resources to net cash requirement

	Note	Estimate	Outturn	2010-11 £000 Outturn compared with Supply Estimate	2009-10 £000 Outturn
Net resource outturn		58,611	(61,290)	119,901	69,920
Accruals adjustments:					
Addition to pension provision	10.2	(58,616)	(53,254)	(5,362)	(69,924)
Other non-cash		–	114,521	(114,521)	–
Use of pension provision	10.2	101,000	98,090	2,910	104,973
Changes in working capital other than cash		–	(104)	104	73
Excess cash surrendered to the Consolidated Fund		–	–	–	–
Net cash requirement		**100,995**	**97,963**	**3,032**	**105,042**

5 Analysis of income payable to the Consolidated Fund

In addition to appropriations in aid, the following income relates to the scheme and is payable to the Consolidated Fund (cash receipts being shown in italics)

	Forecast 2010-11		Outturn 2010-11	
	£000	£000	£000	£000
	Income	*Receipts*	Income	*Receipts*
Operating income and receipts - excess A-in-A	–	–	–	–
Other operating income and receipts not classified as A-in-A	–	–	–	–
	–	–	–	–
Other amounts collectable on behalf of the Consolidated Fund	–	–	–	–
Excess cash receipts to be surrendered	–	–	–	–
Total income payable to the Consolidated Fund	**–**	**–**	**–**	**–**

6 Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund

	2010-11 £000	2009-10 £000
Operating income	–	5
Income authorised to be appropriated in aid	–	(5)
Operating income payable to the Consolidated Fund	–	–

7 Pension contributions receivable

Analysis by type	2010-11 £000	2009-10 £000
Amounts falling due within one year:		
Other receivables (non-government)	206	310
	206	**310**

8 Cash and cash equivalents

	2010-11 £000	2009-10 £000
Balance at 1 April	3,122	3,004
Net change in cash balances	(90)	118
Balance at 31 March	**3,032**	**3,122**
The following balances at 31 March were held at:		
Government Banking Service (2009-10 and 2008-09 Office of Paymaster General)	3,032	3,122
Balance at 31 March	**3,032**	**3,122**
Analysis of cash balances		
Consolidated Fund for unspent supply (Note 9.2)	3,032	3,122
Consolidated Fund – received and to be paid over	–	–
	3,032	**3,122**

During 2010-11, under requirements from HM Treasury, DFID completed the transfer of its banking activities to the Government Banking Service (GBS), which, as part of HM Revenue and Customs is the new banking services shared service provider to the public sector. GBS has procured new banking services with the Royal Bank of Scotland Group and Citibank. Funds held in these accounts will remain in the Exchequer so will not be classed as commercial bank accounts.

9 Payables – in respect of pensions

	2010-11 £000	2009-10 £000
9.1 Analysis by type		
Amounts falling due within one year:		
Payables:		
Inland Revenue (other central government)	(1,007)	(1,077)
Other payables (non-government)	(135)	(65)
	(1,142)	**(1,142)**
Consolidated Fund (CF) payables:		
Supply issued and not used (Note 9.2)	(3,032)	(3,122)
CFER arising and not paid over (Note 9.3)	–	–
	(3,032)	**(3,122)**
Total: Operating and Consolidated Fund	**(4,174)**	**(4,264)**
9.2 CF Creditor for unused Supply		
2010-11 Supply drawn down	(97,873)	(105,160)
"Deemed" supply (retained from the previous year)	(3,122)	(3,004)
	(100,995)	(108,164)
Net Cash Requirement (Note 4)	97,963	105,042
Supply payable	**(3,032)**	**(3,122)**
Actual Supply payable	**3,032**	**3,122**
9.3 Other CFER items		
Held at 1 April	–	–
Arising during the year	–	–
Paid over during the year	–	–
Held at 31 March	**–**	**–**
Actual other CF payable	***£234.14***	***£343.28***

10 Provisions for Pension Liabilities

10.1 The schemes included in these statements are unfunded defined benefit schemes. A full actuarial valuation of the schemes was carried out as at 31 March 2010 by GAD.

The scheme managers are responsible for providing the Actuary with the information he needs to carry out the valuation. This information includes, but is not limited to, details of:

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

The major financial assumptions used by the Actuary were:

	At 31 March 2011	At 31 March 2010	At 31 March 2009	At 31 March 2008	At 31 March 2007
Rate of increase in salaries	n/a	n/a	n/a	n/a	n/a
Rate of increase in pensions in payment (%)	2.65	2.75	2.75	2.75	2.75
Rate of increase in deferred pensions (%)	2.65	2.75	2.75	2.75	2.75
Inflation assumption (long term) (%)	2.65	2.75	2.75	2.75	2.75
Inflation assumption (short term) (%)	2.65	2.75	2.75	2.75	2.75
Discount rate (real) (%)	2.90	1.80	3.20	2.50	1.80

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

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

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

These key assumptions are inherently uncertain, since it is impossible to predict with any accuracy future changes in the rate of salary increases, inflation, longevity or the return on corporate bonds. The actuary uses professional expertise in arriving at a view of the most appropriate rates to use in the annual valuation of the scheme liabilities. However, the scheme managers acknowledge that the valuation reported in these accounts is not certain, since a change in any one of these assumptions will either increase or reduce the liability. For example, on its own, even a small rise in the assumed rate of inflation will result in an increase in the pension liability.

The assumption that has the biggest impact on the amount of the reported liability is the discount rate. As set out in the iFReM, and as required by IAS 19 Employee Benefits, the scheme managers use the AA corporate bond rate to discount liabilities. From 2005-06, the Government Actuary has calculated the rate annually on behalf of HM Treasury, who then advise the scheme managers of the rate for the year. Any decrease in the rate leads to a significant increase in the reported liability.

10 Provisions for Pension Liabilities (continued)

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

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

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

10.2 Analysis of movements in the Scheme liabilities

	2010-11 £000	2009-10 £000
Scheme liability at 1 April	**(1,292,622)**	**(1,240,903)**
Interest on scheme liability	(53,254)	(69,924)
Benefits payable	98,090	104,973
Past service costs	114,521	–
Actuarial gain/(loss)	8,365	(86,768)
Scheme liability at 31 March	**(1,124,900)**	**(1,292,622)**

10.3 Analysis of actuarial gain/(loss)

Experience gain arising on scheme liabilities (0.47% of year end liability; 2009-10 6.13% of year end liability)	5,245	79,206
Loss due to change in mortality assumptions	(12,832)	(9,465)
Gain/(Loss) due to change in financial assumptions	15,952	(156,509)
At 31 March	**8,365**	**(86,768)**

10.4 History of experience gains/(losses)

	2011	2010	2009	2008	2007
Experience gains/(losses) on the scheme liabilities					
Amount (£m)	5	79	(29)	(15)	(14)
Percentage of the present value of the scheme liabilities	0.47%	6.13%	2.36%	1.12%	1.05%
Total amount recognised in statement of total recognised gains and losses					
Amount (£m)	5	79	(29)	(15)	(14)
Percentage of the present value of the scheme liabilities	0.47%	6.13%	2.36%	1.12%	1.05%

11 General Fund

		2010-11 £000	2009-10 £000
Balance At 1 April		**1,293,454**	**1,241,808**
Outgoings for the year		(61,290)	69,920
Actuarial gains and losses		(8,365)	86,768
Financing			
Supply issued in 2010-11	(97,873)		(105,160)
Supply re-issued	(3,122)		(3,004)
Less: Supply creditor	3,032		3,122
Net Financing in the year		(97,963)	(105,042)
Excess appropriations in Aid		–	–
Operating income payable to the Consolidated Fund		–	–
Change in General Fund during the year		(167,618)	51,646
Balance at 31 March		**1,125,836**	**1,293,454**

12 Notes to the cash flow statement

12.1 Reconciliation of net outgoings to operating cash flows

	2010-11 £000	2009-10 £000
Net outgoings for the year	61,290	(69,920)
(Decrease)/Increase in long term pension liability	(61,267)	69,924
Benefits paid and payable	(98,090)	(104,973)
Decrease/(Increase) in receivables	104	(97)
less: movements in receivables for items not passing through the revenue account	–	–
(Decrease)/Increase in payables	(90)	142
less: movements in payables for items not passing through the revenue account	90	(118)
Net cash outflow from operating activities	**(97,963)**	**(105,042)**

12.2 Analysis of Net Parliamentary financing

	2010-11 £000	2009-10 £000
From the Consolidated Fund (Supply) – current year	97,873	105,160
Net Parliamentary financing	**97,873**	**105,160**

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

	2010-11 £000	2009-10 £000
Net cash requirement	(97,963)	(105,042)
From the Consolidated Fund (Supply) – current year	97,873	105,160
Consolidated Fund amounts received in a previous year and paid over	–	–
Amounts due to the Consolidated Fund received and not paid	–	–
(Decrease)/Increase in cash	**(90)**	**118**

13 Third Party Repayments

	2010-11 £000	2009-10 £000
Balances due as at 1 April	87	(6)
Received	(372)	(112)
Paid	266	205
Balances held as at 31 March	**(19)**	**87**

14 Financial Instruments

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

The carrying amounts of financial instruments as at 31 March 2011 were as follows:

	2010-11 £000	2009-10 £000
Financial assets		
Receivables	206	310
Cash and cash equivalents	3,032	3,122
	3,238	**3,432**
Financial liabilities		
Financial liabilities at amortised cost	(4,174)	(4,264)
	(4,174)	**(4,264)**

15 Contingent Liabilities

There is a contingent liability under the Hong Kong (Overseas Public Servants) Act 1996, Sterling Safeguard Scheme for value of public service pensions, of £115.6m (2009-10 £125.8m). The contingent safeguard is the amount by which a member's safeguard pension exceeds the current level of UK pension increases payable under Supplementary Pension for Overseas Service (SPOS). The member's safeguard increases in line with UK inflation. DFID pays the balance over the sterling level of each member's Hong Kong pension up to the greater of the safeguard pension or the UK pension increases. This is valued assuming that members' Hong Kong pensions ceased on 1 April 2006 (either because of default by the government of the Hong Kong Special Administrative Region or because of a fall in the value of the Hong Kong dollar).

In the unlikely event of a default by certain overseas governments, OPD will guarantee pension payments under the Carr/Robertson Assurance of 1964 – £1.9m (2009-10 £2.0m).

The transfer value settlements crystallised during the year. The final payment of £93,814 relating to this is reflected in the Statement of Comprehensive Net Expenditure.

16 Losses and special payments

16.1 Losses Statement

	2010-11 £000	2009-10 £000
Total (68 cases, 2009-10: 67 cases)	70	87
Of which:		
Cash Losses	70	87
Administrative write-offs	–	–
Fruitless payments	–	–
Store Losses	–	–

There are no individual cases greater than £100,000

16.2 Special Payments

Total (0 cases, 2009-10: 2 cases)	–	35

There are no individual cases greater than £100,000

17 Related-party transactions

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

18 Events after the reporting period

The Department for International Development Overseas Superannuation Accounts have been authorised for issue by the Accounting Officer on the same date that the Comptroller and Auditor General signed his certificate and are to be laid before the Houses of Parliament by HM Treasury on 7 July 2011. The following events occurred after the reporting date:

18.1 Change from RPI to CPI

In the UK Budget Statement of 22 June 2010, the Chancellor of the Exchequer announced that, with effect from 1 April 2011, the Government would use the Consumer Prices Index (CPI) rather than the retail Prices Index (RPI) for the price indexation of benefits and tax credits; and that this would also apply to public service pensions through the statutory link to the indexation of the Second State Pension.

The change from RPI to CPI for the purposes of up rating index-linked features of post employment benefits has been recognised as a negative past service cost in accordance with IAS 19. This accounting treatment has been adopted by all central Government reporting entities where RPI has been used for inflation indexing for many years.

The question of whether, as regards the main public service pensions schemes, there is a legitimate expectation that RPI will be used for inflation indexing is currently before the courts in judicial review proceedings. The Government case is that no legitimate expectation exists and that, in any event, even if there was a legitimate expectation this was overridden by the clear public interest in making very substantial savings at a time when the Government had adjudged that deficit reduction was a fundamental objective for the country. If the Government's case is proven, there would be no change to the accounting treatment adopted in these accounts.

18 Events after the reporting period (continued)

18.2 Change of Accounting Officer

Dr Nemat Shafik vacated the role of Permanent Secretary and Accounting Officer with effect from 1 April 2011. Mark Lowcock was appointed Acting Permanent Secretary and Interim Accounting Officer with effect from 1 April 2011. Following a full recruitment process, commissioned by Cabinet Office, Mark Lowcock was appointed Permanent Secretary and Principal Accounting Officer with effect from 9 June 2011.

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