

Accountability

UKEF ministers and Board members

UKEF ministers



**Rt Hon.
Dr Liam Fox MP**
Secretary of State for
International Trade and
President of the Board of
Trade



Baroness Fairhead
Minister of State
for Trade and
Export Promotion
*Stood down on
7 May 2019*

Members of the UKEF Board and its sub-committees



Noël Harwerth
Chair of the UKEF Board
Member of the
Remuneration Committee



Louis Taylor
Chief Executive Officer



Cameron Fox
Chief Finance and
Operating Officer



Samir Parkash
Chief Risk Officer
*Joined UKEF on
14 June 2018*

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



Shalini Khemka
Member of UKEF Board
Member of Audit and
Remuneration committees



John Mahon
Ex-officio member of UKEF
Board, Director General for
Exports at the Department
for International Trade
*Joined the Department for
International Trade on 23
April 2018*



Justin Manson
Ex-officio member of UKEF
Board, UK Government
Investments
Member of Audit, Risk and
Remuneration Committees



Amin Mawji OBE
Member of UKEF Board
Chair of Audit Committee
Member of Remuneration
Committee



Oliver Peterken
Member of UKEF Board
Chair of Risk Committee
Member of Audit and
Remuneration Committees



Lawrence M. Weiss
Member of UKEF Board
Member of Audit, Risk and
Remuneration Committees



Kimberley Wiehl
Member of UKEF Board
Member of Risk and
Remuneration Committees
*Joined the Board on 3
October 2018*

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. No conflicts of interest or potential conflicts of interest have been identified this year.

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

Personal data-related incidents

UKEF reported 1 personal data incident to the Information Commissioner's Office in November 2018. An email containing basic personal data was inadvertently sent to a civil servant in another government department. The error was identified by the recipient of the email who reported the email to UKEF and immediately deleted it. The ICO required no further action to be taken.

Governance statement

Introduction

As Accounting Officer for UK Export Finance (UKEF), I am responsible to ministers and Parliament for the management of UKEF's 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 2018 to 31 March 2019.

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 (the 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

We have completed the second year of our 3-year 2017-20 business plan, which sets out the scale of our ambition, and how we plan to meet it.

Realising the objectives in the business plan will ensure we are better equipped to manage risk while better meeting the needs of our customers.

Corporate governance framework

UKEF was set up in 1919, with its statute introduced in 1920, and now has the legal name the Export Credits Guarantee Department. It is a department of the Secretary of State under the Export and Investments Guarantees Act 1991 (EIGA).

UKEF is operationally and strategically aligned with the Department for International Trade and reports to the Secretary of State for International Trade. I am the Chief Executive and Principal Accounting Officer of UKEF.

Statutory powers

UKEF's statutory powers are derived from the EIGA, which provides that the powers 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

The Department for International Trade (DIT) promotes UK exports, maximises opportunities for inward investment and outward direct investment, and develops trade policy. While they are separate departments for governance and accounting purposes, UKEF and DIT are strategically and operationally aligned, and I am 1 of DIT's 5 directors general. I am also 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, 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.

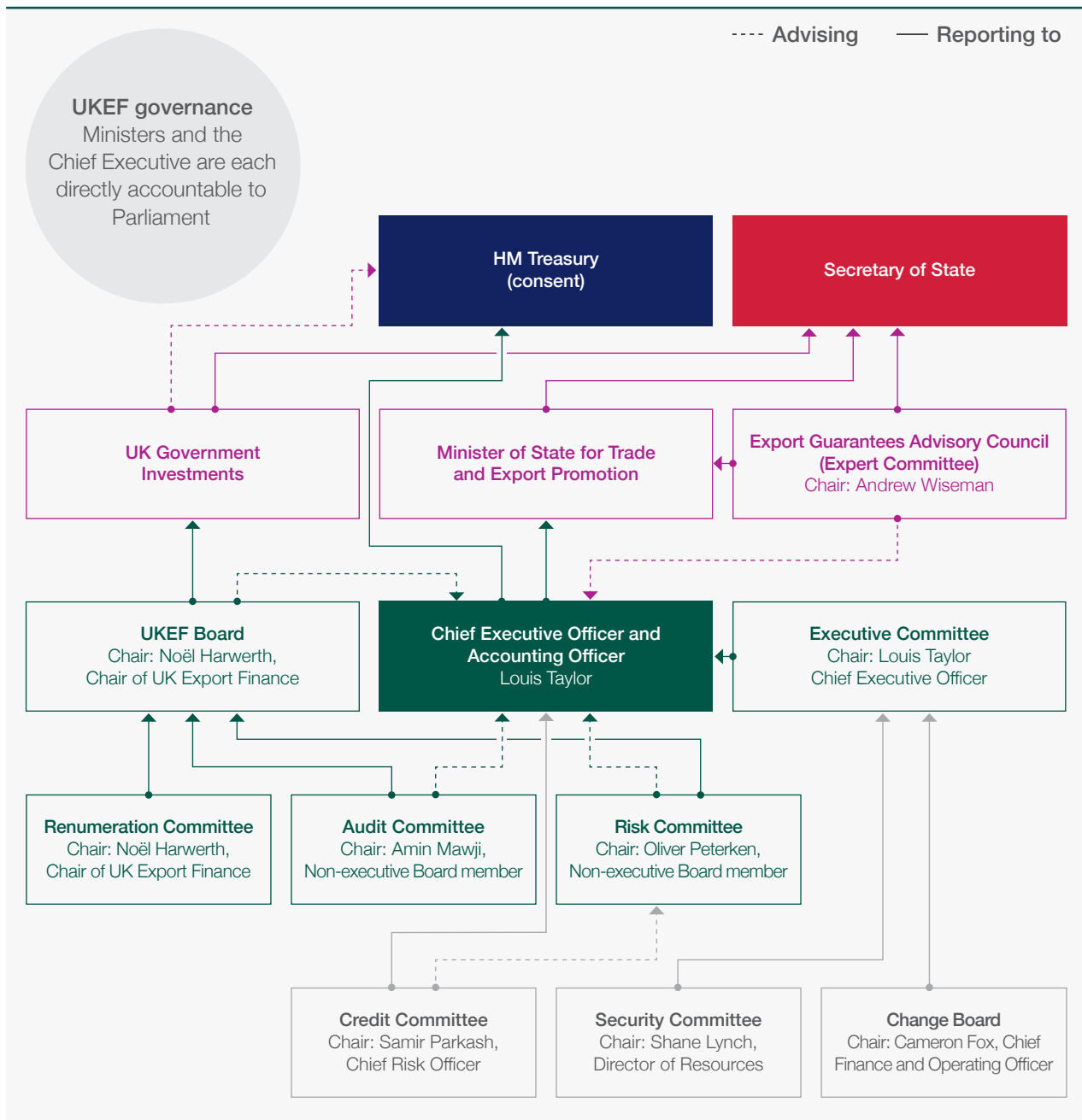
HMT seeks to protect the taxpayer from excessive loss resulting from our lending or our contingent liabilities, and the UK economy from economic disbenefit. It exercises this role primarily by monitoring our performance against the ministerially-agreed financial objectives and policy restrictions they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

UK Government Investments

UK Government Investments (UKGI) is responsible for providing independent advice to the Secretary of State for International Trade in the exercise of his or her responsibilities for UKEF. A UKGI representative is an ex-officio member of UKEF's Board, and UKGI monitors UKEF's ongoing performance in relation to the Consent. 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, for which HM Treasury has delegated performance management
- risk management and assurance functions and processes
- business planning and strategic direction

UKEF's governance structure



Export Guarantees Advisory Council (EGAC)

EGAC is a body required under the Export and Investment Guarantees Act 1991. 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:

- environmental, social and human rights
- 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 page 76 to 78 and also from the Council's website.¹

Council members serve on a voluntary basis. The Council does not hold any independent budget or spending authority.

¹ www.gov.uk/government/organisations/export-guarantees-advisory-council

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 and Operating Officer) and 8 non-executive Board members including ex-officio representatives from the Department for International Trade and UKGI. 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 advisory, 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 me with an independent source of scrutiny and guidance on strategic and operational issues, UKEF's financial performance and our arrangements for financial reporting, risk management and control.

The Board has 3 sub-committees: the Audit Committee, the Risk Committee and the Remuneration 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. In Spring 2018, an externally facilitated Board evaluation was conducted following a formal procurement process. It noted that the Board was led by an energetic and skilled Chair, and benefited from a group of committed non-executive directors who all contributed well, bringing a range of relevant and complementary experience to the table.

The review suggested that the Board would benefit from a slight shift in emphasis, away from reviewing operational and financial performance towards a more forward-looking perspective. A report detailing findings and suggested improvements was accepted by the Board and an action plan established for implementing key recommendations during 2018-19 and beyond. Overall the review concluded that the Board and its committees operate effectively.

Recognising the need to ensure the department's Board and committees receive sound advice and information, Board papers highlight risks and resource implications to ensure sufficient engagement and challenge during discussions. The structure and information contained in regular agenda items (including business performance updates and the transformation programme report) are quality-assured on a monthly basis by the Executive Committee, and have continued to be reviewed, improved and updated over the course of the year.

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

Audit Committee

The Audit Committee annual report can be found on page 94. The Committee Chair formally reports on the Committee's activities to the Board.

Risk Committee

The Risk Committee annual report can be found on page 95. The Committee Chair formally reports the outcome of Risk Committee meetings to the Board.

Remuneration Committee

The Remuneration 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 as per the criteria outlined in guidance from the Cabinet Office about the remuneration of its Senior Civil Service (SCS) members (see page 104). It also ensures that these recommendations take into account any requirements or guidance from the Cabinet Office, including that the average increase to the SCS pay bill is within any centrally determined budget.

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 business development
- Cameron Fox, Chief Finance and 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 Legal and Compliance: responsible for legal and compliance matters and supporting the Department in managing legal risk
- Samir Parkash, Chief Risk Officer: responsible for 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, facilities and security

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:

- Credit Committee, chaired by the Chief Risk Officer, advises on the effective management of UKEF's credit risk exposures at the transaction and portfolio level, and on compliance with credit risk policies
- Change Board, chaired by the Chief Finance and 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
- Security Committee, chaired by the Director of Resources, advises on the security of the people and assets – including information assets – required for UKEF's business operations, systems and processes, ensuring that they are appropriately secured in accordance with legal, regulatory and government requirements

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. No conflicts of interest or potential conflicts of interest have been identified this year.

Governance in 2018–19

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 UKGI, HM Treasury and Department for International Trade officials as necessary to brief them on issues related to UKEF 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 8 times in the year, the Audit Committee met 5 times, the Risk Committee met 4 times and the Remuneration Committee met twice, consistent with their terms of reference

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

Name of Board member	Role	UKEF Board	Audit Committee	Risk Committee	Remuneration Committee
Cameron Fox	Executive Board member	7/8	5/5**	4/4**	-
Noël Harwerth	Non-executive Chair	8/8	5/5**	4/4**	2/2
Shalini Khemka	Non-executive Board member	6/8	3/5	-	2/2
John Mahon	Ex-officio Board member, Department for International Trade	5/8	-	-	-
Justin Manson	Ex-officio Board member, UK Government Investments	6/8	4/5	4/4	2/2
Amin Mawji	Non-executive Board member and Chair of Audit Committee	6/8	5/5	-	2/2
Samir Parkash* (from 14 June 2018)	Executive Board member	6/6	2/2**	3/3**	-
Oliver Peterken	Non-executive Board member and Chair of Risk Committee	8/8	4/5	4/4	2/2
Louis Taylor	Executive Board member	8/8	5/5**	4/4**	2/2**
Lawrence Weiss	Non-executive Board member	8/8	5/5	4/4	2/2
Kimberly Wiehl (from 1 October 2018)*	Non-executive Board member	4/4	-	2/2	1/1

* Meetings took place before appointees joined the organisation

**Not a member of the committee but attends its meetings

Ministerial Directions

During 2018-19, there was 1 Ministerial Direction, on 5 July 2018.² This related to UKEF support for the export of Typhoon aircraft and associated equipment and services to Qatar (pages 55 to 56). 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 (see pages 44 to 63) 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 for HM Treasury to facilitate the transaction. There were a number of associated conditions; some of which were required prior to the deal being agreed and others afterwards. HM Treasury confirmed

2 <https://www.gov.uk/government/publications/uk-export-finance-support-for-export-of-typhoon-aircraft-to-qatar>

that UKEF had met the pre-deal conditions. As a result, HM Treasury affirmed that the Qatar transaction was 'regular', i.e. that it was within UKEF's powers under the Export and Investment Guarantees Act and within the HMT Consent required under that Act.

Separately on 15 April 2019, (after the end of the 2018-19 financial year), a further direction was given by the Secretary of State to increase UKEF's country limit for Iraq by £1 billion to enable further priority projects to be supported in this market. Again, the Secretary of State for International Trade consulted ministerial colleagues including the Chancellor of the Exchequer, who all concluded that an increase in UKEF's limits for Iraq would be in the national interest. Accordingly, the Secretary of State for International Trade instructed me (with the consent of HM Treasury) to increase the country limit, subject to a number of conditions. The direction confirmed that UKEF's established risk standards were to be employed when considering the use of the increased limits. All business underwritten under this direction will be reported in future annual reports.

UKEF has written to the Comptroller and Auditor General (C&AG) about both Ministerial Directions and the C&AG has briefed the Chair of the Public Accounts Committee (PAC). UKEF has received no further requests for information from the PAC about either the Qatar transaction or the increase to UKEF's Iraq country limit.

Environmental Audit Committee inquiry into UKEF

The remit of the parliamentary Environmental Audit Committee is to consider the extent to which the policies and programmes of government departments and non-departmental public bodies contribute to environmental protection and sustainable development, and to audit their performance against sustainable development and environmental protection targets. In November, the Committee began an investigation into the scale and impact of UKEF's financing of fossil fuels in developing countries. In March 2019, Baroness Fairhead and I gave evidence to the Committee. A transcript of these and other oral and written submissions to the hearing can be found on the Parliament website.³

We welcome the Committee's report and I am working with colleagues to consider our response.

Third-party delivery partners

UKEF works with a network of partners, including commercial finance lenders, commercial insurance brokers, other ECAs, other government departments, industry bodies and intermediaries. More information about our partners and operations can be found on pages 42 to 43.

Looking forward, UKEF will continue to extend and enhance its delivery partner relationships in order 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 risk management is described in detail in the Chief Risk Officer's report on pages 44 to 63.

³ <https://www.parliament.uk/business/committees/committees-a-z/commons-select/environmental-audit-committee/inquiries/parliament-2017/uk-export-finance-17-19/>

The '3 lines of defence' framework

UKEF has adopted a '3 lines of defence' framework to structure its risk management and assurance activities.

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

Strategic and operational risk

The Department has a strategic risk register that contains the key strategic risks it faces and identifies a Senior Civil Servant who is responsible for UKEF's response to each recorded strategic risk. Strategic risks are reviewed periodically by the Executive Committee, and by the Risk Committee acting on behalf of the Board.

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) or to a failure to discharge properly our obligations. Examples of such failures could include:

- breach of our reporting requirements to HMT
- poor procurement practice leading to a breach of Managing Public Money
- credit decisions made on the basis of incorrect data

Self-identified incidents are reported to operational risk team, which reports to the Chief Risk Officer. The Risk Committee oversees the team's activities and the operational risk management framework. The operational risk team maintains the operational risk framework and risk register, reporting significant operational risk matters to the Executive Committee, Risk Committee and Audit Committee.

UKEF's current operational risk management framework is designed to:

- identify risks
- assess the likelihood of risks materialising and the severity of their impacts
- evaluate and provide regular assurance to the Accounting Officer, Board and Executive Committee in respect of controls already in place
- identify and prioritise any further mitigating actions required
- agree whether residual levels of risk are acceptable

It is not possible to eliminate all risk, so our goal is to manage risks and mitigate them to an acceptable level.

Operational risk works with the other second-line and third-line assurance functions and heads of division across UKEF to reinforce ownership and accountability for risks, and the design, implementation and operation of effective controls.

UKEF continued to develop the second line of defence capability in 2018-19. During 2019-20, UKEF will focus on embedding enhanced frameworks which will provide greater robustness and give more complete assurance. A new enterprise risk management division was created in 2018-19, with additional resourcing to help drive improvements. These will include comprehensive risk appetite statements, thematic management information and an increase in reporting of incidents and near misses (from which lessons can be learned and preventative action taken) in 2019-20.

Governance assurance processes

Throughout the year I meet with selected risk owners to review their operational risk registers and to discuss matters of concern and proposed remedial actions.

At year-end, heads of division within UKEF completed Letters of Assurance (LoA) in which they provided me with an assessment of the effectiveness of governance, risk management and control within their area of responsibility.

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 operational risk register and LoAs from areas within their remits, and any known 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 fully guarantee that it will never inadvertently support such a transaction but is committed to having in place and operating appropriate processes, systems and controls to mitigate the risk of supporting such transactions. The Compliance Division is responsible for ensuring that these risks are identified and appropriately managed, and reports to the Director of Legal and Compliance.

In 2018-19, the Compliance Division, Legal Division, Business Group and others have worked with external consultants to understand better the evolving nature of UKEF's financial crime risks, codify a risk appetite statement, and design processes and procedures to support the Compliance function. This work is iterative, and the framework and associated controls, systems and management information are expected to evolve further during 2019-20.

During 2019-20, Compliance Division will implement a strengthened compliance framework, underpinned by a comprehensive risk appetite statement.

Previously, responsibility for undertaking financial crime due diligence on transactions and parties lay within Business Group, but this due diligence function is being transferred to a dedicated and specialist unit within Operations Division, supervised and monitored by the Compliance Division. This appropriately creates separation between origination, investigation and monitoring.

The level of financial crime due diligence undertaken on transactions will be informed by the specific circumstances of each transaction and the level of inherent risk posed by factors such as the industrial sector or the use of an Agent, and the jurisdictions concerned. This will ensure that the due diligence is reasonable and proportionate to the circumstances of each transaction.

There will be a focus on providing improved appropriate training in issues related to financial crime for all staff, including on the operation of the new processes and instilling vigilance about compliance in the front line.

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 deals with such customers 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 properly managed.

Cyber security & information risks

The Senior Information Risk Owner (SIRO) has Executive Committee-level responsibility for information risks, including cyber security risks. The Director of Resources is the SIRO, and also chairs the Security Committee. Our security policies and procedures are managed by our Security function, which reports to the Director of Resources. The IT Division plays a key role in the operational delivery of cyber-security services.

During 2018-19, UKEF engaged specialists to undertake a review of cyber security controls and procedures. An improvement plan was developed and is being delivered with oversight from UKEF's Security Committee. UKEF also took part in a Cabinet Office-led cross-government assessment of security culture and was rated as 'silver', which recognises that there are areas of strength and also made recommendations to further enhance the culture. The Department has benefited from developing closer working relationships with key government stakeholders including the Centre for Protection of National Infrastructure and the National Cyber Security Centre to improve the control environment.

Information risk is not limited just to security concerns. UKEF is working to ensure that its data are accurate and reliable. New controls to mitigate further the risks relating to poor data management are in progress and formalised information assurance mechanisms will be implemented during 2019-20.

Designated Information Asset Owners (IAOs) are responsible for the identification of information assets and their location, use and protection. An information asset register is in place to record these assets.

Procedures are in place to administer responses to requests for information from the public under information legislation that gives the public rights of access. During 2019-20, procedures and training will be enhanced and improved to ensure compliance with relevant legislation, such as the Data Protection Act 2018 and the General Data Protection Regulation and with central government requirements, such as the Security Policy Framework and the National Cyber Security Strategy.

Cabinet Office requires public bodies to have a Data Protection Officer. For a period of just over a month during 2018-19, UKEF was not in compliance with this requirement, due to staff changes, but this non-compliance has been remedied.

Internal audit

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.

On the basis of IAAD's continued engagement throughout 2018-19, 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 a more formally documented and evidenced first line of defence, a strengthened second line of defence, enhanced medium-term planning, and clarity on the requirements of a Data Protection Officer.

I meet regularly with the Head of Internal Audit. The Head of Internal Audit also has a direct communication channel to the Chair of the Audit Committee.

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, 1 of the expert services for the Civil Service. This was last updated in November 2017.

No disclosures were made under the policy in 2018-19.

Significant risks and mitigating measures

Medium to long-term planning

Organisational transformation continued through 2018-19 and there was progress in ensuring that the changes are being properly embedded. More work will be required to achieve fully the ambitious objectives outlined in our Business Plan, but we are on track to deliver.

I am grateful to our Internal Audit team for identifying areas where more multi-year planning was necessary to deliver the organisational transformation in an efficient and effective manner.

UKEF has started work on developing a Target Operating Model (TOM). The TOM will describe how we will need to operate differently in the future if the strategy is successfully delivered and will be a key part of our upcoming Spending Review submission, with a change programme designed using the available funding. We have also improved our planning of change to make sure that projects deliver their benefits by planning on a rolling 18-month basis, rather than a static 12-month plan.

First line of defence controls

As a small department, UKEF historically relied upon controls vested in its key officers rather than developing a broader, formal control environment. As the department has grown, management has acknowledged the need for change, in particular around formalising the documentation of processes, increasing the understanding of control objectives and improving the monitoring of controls effectiveness.

This year we have established a new Enterprise Risk Management function reporting to the Chief Risk Officer, which will ensure during 2019-20 that progress is being made towards evidence-based reporting and assurances, and a formalised controls environment. However, this will take longer than a year to deliver fully.

Data and records management

There has been improvement in recent years on records and data management through the introduction of new systems and records management policies.

However, more work is required to ensure 'right first time' data without manual intervention within corporate reporting. This impacts on the ability to provide timely and error-free information for a multitude of uses across the organisation.

UKEF acknowledges that data and records management requires strengthening. A long term organisation-wide strategic solution is needed to effectively manage and mitigate these risks. During 2018-19 a tactical solution was used; members of the Executive Committee are currently assessing a longer-term strategic solution.

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

12 June 2019

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 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 our performance in the year, and I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.



Louis Taylor
Chief Executive and Accounting Officer

12 June 2019

Audit Committee report

The Audit Committee report should be read in conjunction with the governance statement which can be found on page 82 to 92.

UK Export Finance's Audit Committee Terms of Reference require membership of the Audit Committee to comprise at least 3 non-executive Board members or other independent representatives agreed by the UKEF Board. I currently serve as its chair, alongside Oliver Peterken, Lawrence Weiss and Shalini Khemka, all of whom meet the relevant requirements for independence. Justin Manson is also a member of the Committee, representing UK Government Investments on behalf of the Secretary of State.



Amin Mawji
Chair, Audit
Committee

Although not members of the Audit Committee, the Chair of the UKEF Board, Accounting Officer, Chief Finance and Operating Officer, Chief Risk Officer, Head of Internal Audit, and 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, to facilitate open and frank discussion of particular matters.

The Audit Committee Terms of Reference also provide that at least 1 member of the Committee should have significant, recent and relevant financial experience and is 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.

Primary 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, including on whistleblowing
- reviews the draft Annual Report and Accounts

Activities during 2018-19

During 2018-19, the following topics were discussed:

- financial crime compliance
- 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
- compliance processes in relation to bank delegation
- changes to accounting policies relating to new products, details of the supplementary estimate, and the deferment of the application of IFRS 9 until 2021, and the preparations being made for the application of IFRS standards 9 and 17
- UKEF's incident reporting, and the year-end Letters of Assurance from Heads of Division

The Audit Committee meets at least 4 times in each year. In 2018-19, it met 5 times.

Risk Committee report

The Risk Committee report should be read in conjunction with the governance statement which can be found on page 82 to 92.

UK Export Finance's Risk Committee Terms of Reference require the Committee to comprise at least 3 non-executive Board members or other independent representatives agreed by the UKEF Board. I currently serve as its chair, alongside Lawrence Weiss and Kimberly Wiehl, all of whom meet the relevant requirements for independence. Justin Manson is also a member of the Committee, representing UK Government Investments on behalf of the Secretary of State. Kimberly Wiehl was appointed as a new non-executive member of the Risk Committee in October 2018.



Oliver Peterken
Chair, Risk
Committee

Although not members of the Risk Committee, the Chair of the UKEF Board, Accounting Officer, Chief Finance and Operating Officer, Chief Risk Officer, Head of Internal Audit, and 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, to facilitate open and frank discussion of particular matters.

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.

Primary 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
- 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 during 2018-19

During 2018-19, the following topics were discussed:

- risk governance improvements
- operational and strategic risks
- a new operational risk framework
- revised country risk methodology
- the portfolio risk simulation model
- the credit risk policy statement
- information assurance
- loan impairment and lessons learned
- the pricing methodology statement
- a review of delegated authorities

The Risk Committee meets at least 4 times in each year. In 2018-19, it met 4 times.

UKEF achieved its second highest ever score of 63% in the People Survey in 2018-19



Our people: staff and remuneration report

This has been a record-breaking year for UKEF and none of this would have been possible without the commitment and expertise of our staff.

In 2018-19, UKEF's headcount reached a 10-year high, evidence of the growing demand for UKEF's products and services. Our transformation programme, which began in 2016, has led to a reorganisation of our front and middle office functions, a model that is now fully embedded and has enabled this year's strong performance as well as supporting a significant pipeline for the year ahead. Further improvements were achieved by consolidating teams responsible for a range of our operational and support services from 3 groups into 2.



Shane Lynch
Resources Director

We will continue to enhance the operating model in 2019-20 with an increased focus on business development, and growing our newly-established global network of export finance specialists from 6 to 10. The new posts will be based in India, Kenya, Mexico and Saudi Arabia. This network was created in partnership with the Department for International Trade and is an example of the joined-up government approach to supporting UK exporters set out in the Export Strategy.

The increase in headcount has had a significant impact on teams that provide support through the employee lifecycle, leading to increased activity across resourcing (125 campaigns), learning and development (17% increase in training hours) and wider employee support functions. We also exceeded our aspiration of offering each staff member 5 days of development per year for the first time with the average being 5.1 days.

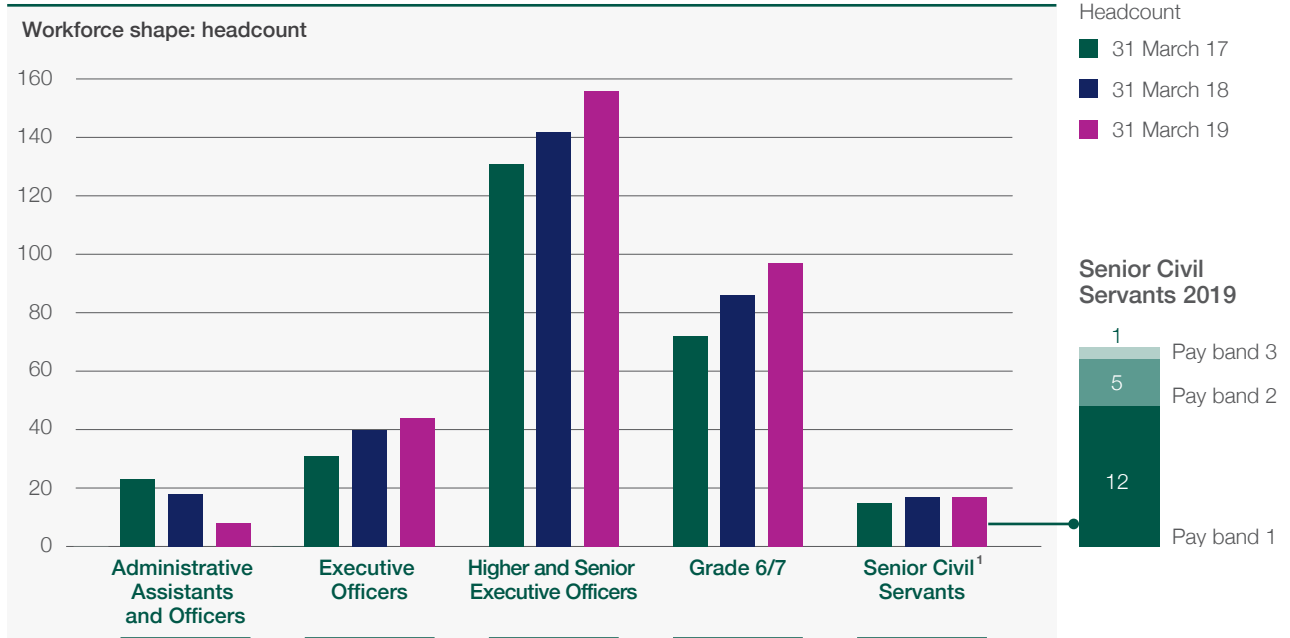
We continue to strive to improve diversity within our workforce and meet the commitments we made under the HM Treasury Women in Finance Charter and Level 3 of the national Disability Confident Employer Scheme. The progress we have made in this area is particularly encouraging with our current workforce being the most diverse in our history. As of 31 March 2019, 30.1% of colleagues were from Black, Asian and minority ethnic groups and 39.4% were female. The increase in gender diversity was particularly evident across our Senior Civil Servant cohort, with 57% of hires during 2018-19 being female and 42% from BAME groups. We have also seen a significant reduction in the median gender pay gap but recognise that more work is needed in this area.

Our ambition is to have the most engaged workforce in the Civil Service, so we were proud to have achieved our second-highest ever staff engagement score of 63% in the annual Civil Service People Survey, an impressive achievement considering it was against a backdrop of a very challenging workload as the business ran at close to full capacity. Employee wellbeing remains a priority and sickness absence at 2.98 days is significantly below public and private sector averages.

In our centenary year, we continue to aspire to recruit and retain staff with the skills, knowledge and motivation to ensure we can continue to help exporters succeed into our second century.

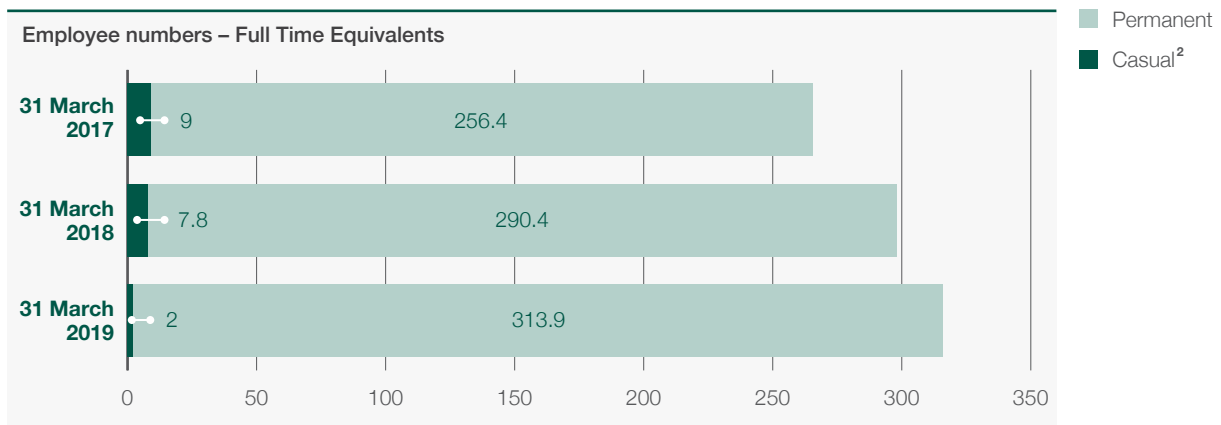
Workforce snapshot

As at 31 March 2019, the directly-employed workforce stood at 322 (315.9 FTE). This represents an increase of 6.3% over the previous 12 months and 30.4% over the last 4 years.

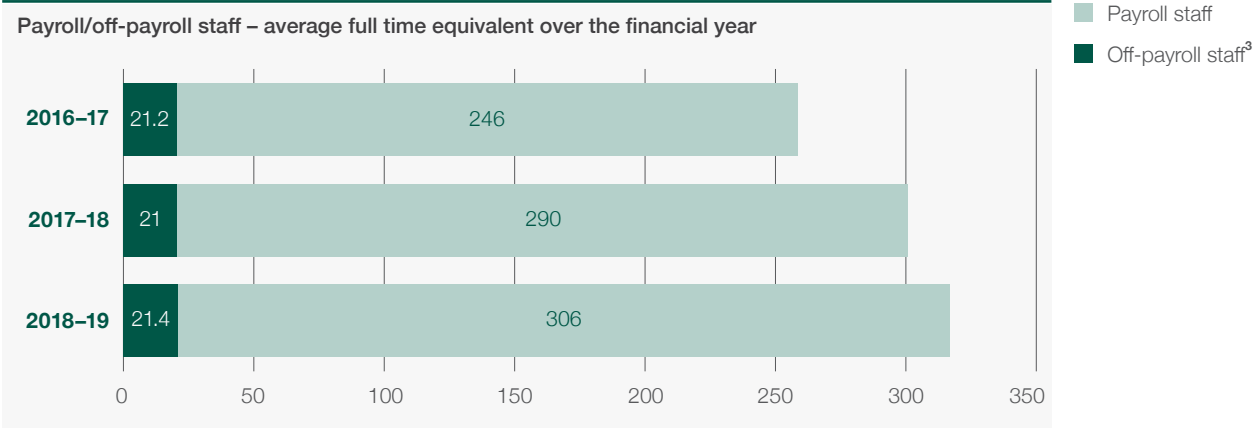


UKEF's total staff costs for 2018-19 were £21.4 million (2017-18 £19.9m) as detailed in Note 7 to the accounts. These costs relate to staff with a permanent contract and a small number of staff on other contracts, as disclosed in this report. The employment costs relating to UKEF's ministers and special advisers are disclosed in the Department of International Trade's annual report and accounts.

In addition to the 322 staff disclosed in the graph above, a further 21 off-payroll staff were engaged on average per month, predominately supporting our IT and Transformation, Change & Innovation divisions. UKEF has reduced its reliance on contingent labour significantly since 2015 and has reduced contingent labour costs by a total of more than £1.3 million over the period. These disclosures have been subject to external audit.



¹ 18 Senior Civil Servants as at 31 March 2019: SCS3: 1; SCS2: 5; SCS1: 12
² Casual defined as fixed-term contracts for less than 12 months.



Our recognised trade union is the Public and Commercial Services Union (PCS). Union representatives meet Human Resources (HR) colleagues formally on a monthly basis. 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 27 hours of facility time for 3 staff (less than 1% of their time), with an estimated cost of £3,289, during 2018-19.

In 2018-19, UKEF engaged in a consultation exercise with staff regarding proposed changes to the current operating model. The changes were necessary to ensure that UKEF’s teams were structured in a way that best facilitated the delivery of the department’s business objectives. The consultation exercise was successful, with inputs from staff and representative groups helping to shape the final structure which was subsequently implemented.

‘UKEF is very commercial in its approach to building a business and I get a sense of pride in the transactions we undertake and how it is helping build the British economy. It never ceases to amaze me the depth of UKEF’s knowledge and how we can influence globally.’

Feedback from UKEF staff member in the 2018 People Survey

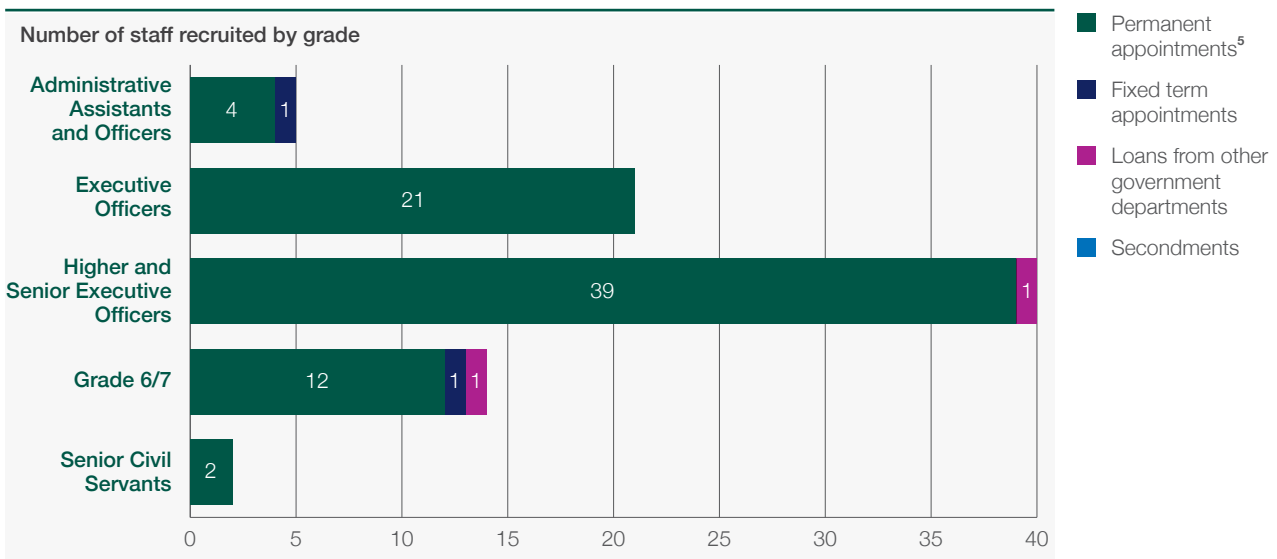
³ Off-payroll staff encompasses consultants and contingent labour i.e. interim managers, specialist contractors and agency staff.

Recruitment

The recruitment market remained relatively challenging during 2018-19. The total number of recruitment campaigns delivered in 2018-19 was 125, which resulted in 82 new joiners to UKEF and a further 33 internal promotions. Over 53% of our hires came from the private sector, reflecting the uniquely commercial nature of UKEF’s work within the Civil Service. A further 30% of vacancies were filled by UKEF staff promotions, a testament to the talent available within the department.

Much of our recruitment activity was driven by higher than average turnover rates, fuelled by issues related to pay and benefits, and by the relatively buoyant jobs market, both in the private sector and within the Civil Service as many departments take on additional staff to support preparations for the UK’s exit from the European Union.

All UKEF recruitment is carried out in accordance with the relevant employment legislation and the recruitment principles issued by the Civil Service Commission.



Diversity & inclusion

The Civil Service Diversity & Inclusion Strategy was launched in November 2017 and sets out an aspiration that the Civil Service become the most inclusive employer in the UK.

We share this ambition and want to ensure that we are supporting all our employees to realise their full potential. We strive to create an environment that is inclusive while valuing and embracing diversity, and building a great place to work.

Our recruitment process is a key enabler for a more diverse workforce. The application process is anonymous to protect against bias. All UKEF staff are required to complete training on diversity, inclusion and unconscious bias.

The proportion of female staff and staff from BAME groups increased during 2018-19, accounting for 41% and 34% of new hires respectively. As a result, our current workforce is the most diverse on gender and ethnicity grounds in our recent history. Almost 40% of UKEF staff are female and

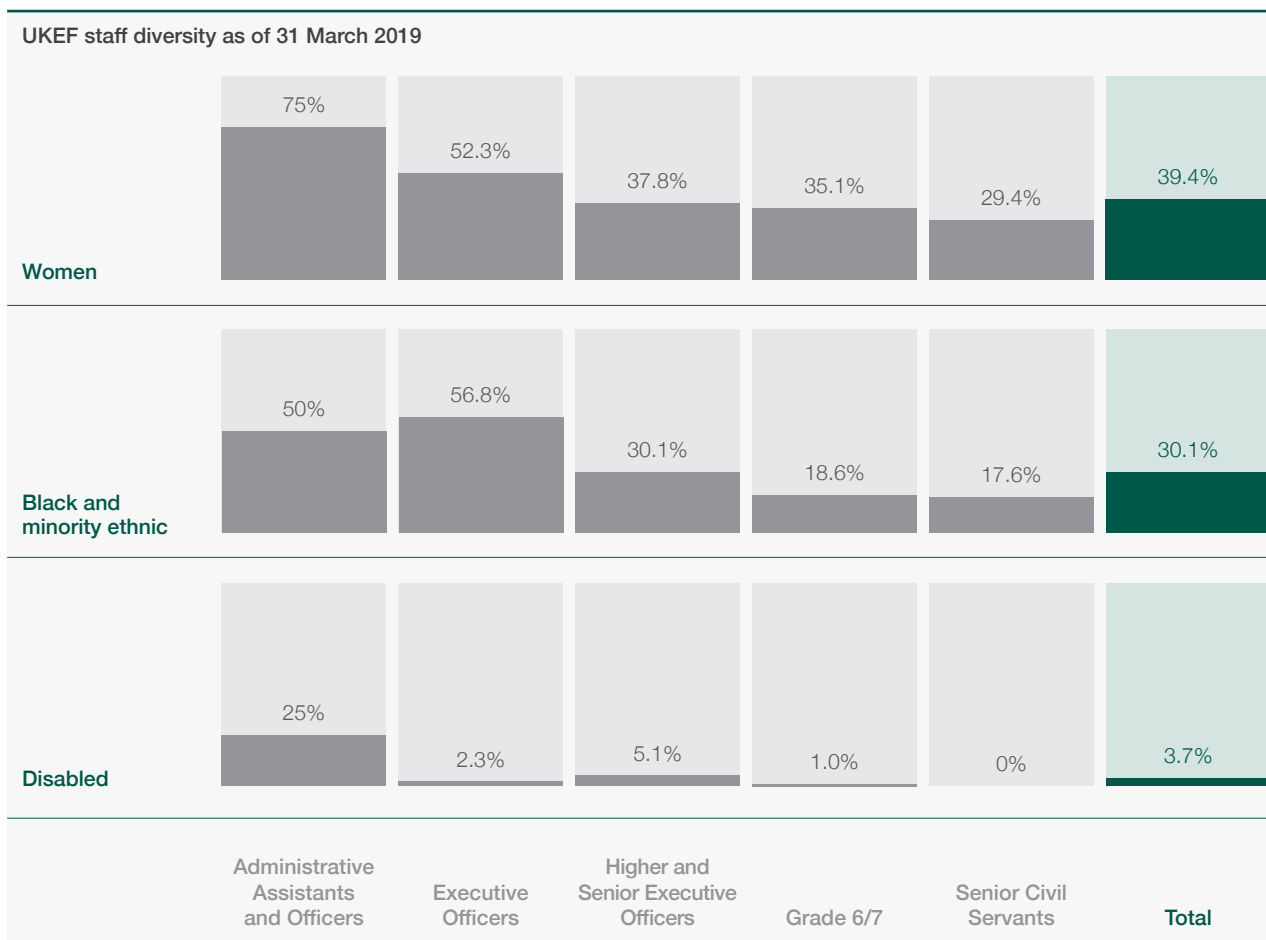
⁵ This includes permanent transfers from other government departments.

30% identify as being from BAME groups. Our performance on ethnicity is particularly encouraging as only 12% of staff across the Civil Service identify as being from BAME groups. We plan to build on this by continuing to recruit staff from across all protected characteristics.

We recognise that we need to improve our gender balance, particularly at senior levels, and are working to deliver on the commitments we made as part of HM Treasury's Women in Finance Charter. During the current financial year, 9 Senior Civil Service (SCS) campaigns were completed; 57% of successful candidates were female and 42% were from BAME groups. In 2017 UKEF signed up to the Women in Finance Charter and committed to having 30% of SCS posts filled by female staff by 2020. As of 31 March 2019 we have reached 29.4%.

UKEF has been accredited as a Level 3 Disability Confident Employer, which shows a public commitment to supporting disabled people throughout the employment lifecycle. UKEF operates the Civil Service-wide Guaranteed Interview Scheme, has a Disabled Employee Forum (in conjunction with the Department for International Trade) and proactively supports staff in implementing reasonable adjustments in the workplace. The department also provides mental health first aid and has an Employee Assistance Programme.

Our staff have an essential role to play in creating an inclusive working environment and, working with colleagues from across the Department for International Trade, our staff networks have become important agents for change.



Learning and development

The continued increase in headcount over the year had a significant impact on learning and development at UKEF. As in the last financial year, we had to balance the need to induct a large number of new staff into the department with continuing to meet the development requirements of our existing workforce.

Based on our assessment of progress in delivering the 2017-20 Business Plan, we continued to focus our efforts on the department's 5 agreed learning and development priorities:

- management and leadership skills
- building relationships
- projects and programme management
- customer focus
- commercial awareness

In addition, we also continue to develop technical training programmes to develop skills that are rare within government to UKEF, including credit risk analysis, project finance and an accredited training programme on trade finance for UKEF and Department for International Trade staff (see p43).

During 2018-19 the average number of days spent on formal learning and development activities per employee was 5.1 days (4.4 days in 2017-18), with a total of 11,227 hours of learning delivered. This is an increase of 17% from 2017-18. The average spend per head was £982 (£1,002 in 2017-18).

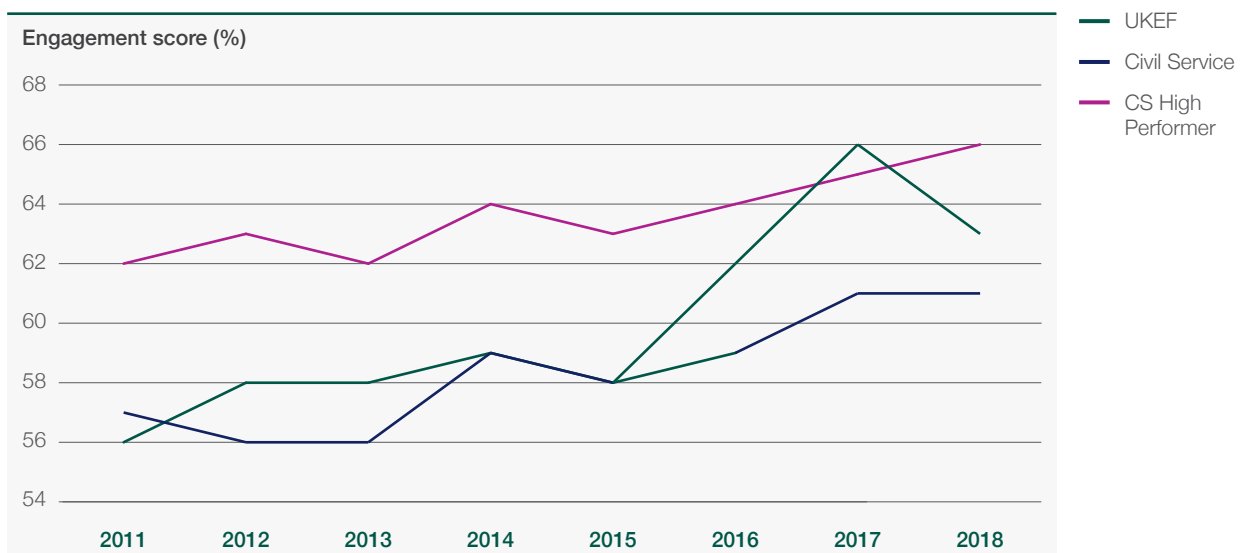
This year's figures are a strong indicator of UKEF's commitment to the continuous development of our workforce.

Engagement

We achieved our second highest ever staff engagement score of 63% in the annual Civil Service People Survey, a slight decrease of 3% from 2017's record high score.

UKEF's score for 'organisational objectives and purpose' was 91%, which was our highest in the 10-year history of the survey and in the top 5% of the Civil Service. We also achieved our highest ever scores for 'Resource and Workload', 'My manager' and 'Learning & Development'.

Our ambition, to have the most engaged workforce in the Civil Service, remains, and we will use the feedback from this year's survey to further improve our performance.



‘UKEF is a great place to work - I look forward to coming to work on a Monday morning; I feel at home among my divisional colleagues and could not picture working without them; I am fortunate to work in the centre of London, with 3 Royal Parks practically outside my office and lots to see and do nearby; I feel my work is challenging but very interesting and rewarding; I am afforded the opportunity to travel overseas in the course of my work.’

Feedback from UKEF staff member in the 2018 People Survey

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 2.98 days in 2018-19. This is below the ONS reported average for both the public sector (6.8 days) and the private sector (4.4 days).

Sickness absence data

	31 March 2019	31 March 2018	31 March 2017
Average working days lost	2.98	3.50	4.72
% staff with no sickness absence	55.9%	52.0%	58.5%

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 have responsibility for implementing the Civil Service pay policy for their workforce in a way that is consistent 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 2018-19 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 177 awards to employees through this scheme in 2018-19.

The remuneration arrangements for senior civil servants (SCS) are set by the Cabinet Office 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 Committee

The Remuneration 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 at 31 March 2019, the membership was:

- **Noël Harwerth**, non-executive Chair of the Board and Chair of the Remuneration Committee
- **Shalini Khemka**, non-executive Board member
- **Justin Manson**, ex-officio board member
- **Amin Mawji OBE**, non-executive Board member
- **Oliver Peterken**, non-executive Board member
- **Lawrence M. Weiss**, non-executive Board member
- **Kimberly Wiehl**, non-executive Board member

Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive and the Director of Resources may be 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. This table includes current directors and former directors who left the department during the financial year. These disclosures have been subject to external audit.

Officials	Salary £'000		Bonus payments £'000		Pension Benefits £'000		Total £'000	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Louis Taylor Chief Executive	250-255	250-255	10-15	10-15	24	96	285-290	360-365⁶
Cameron Fox Chief Finance & Operating Officer	135-140	95-100	0	10-15	64	40	195-200	150-155
Samir Parkash Chief Risk Officer	155-160 (195-200 FTE)	n/a	0	n/a	n/a	n/a	155-160 (195-200 FTE)	n/a

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 set the parameters for SCS performance awards. Due to the nature of the performance appraisal cycle, bonuses are paid in the year following that for which the performance has been assessed; therefore, the bonuses reported in 2018-19 relate to performance in 2017-18.

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 the organisation and the median remuneration of the organisation's workforce. These disclosures have been subject to external audit.

	2018-19	2017-18 ⁷
Band of highest paid director's remuneration (£000)	265-270	265-270
Median total (£)	41,283	40,426
Remuneration ratio	6.5	6.6

⁶ This was incorrectly reported as £315,000-£320,000 in the 2017-18 Annual Report and Accounts.

⁷ The figures reported in the 2017-18 Annual Report and Accounts have been adjusted to reflect the full package of the highest paid director, including bonus payments

The banded remuneration of the highest-paid director in UKEF in the financial year 2018-19 was £265,000-£270,000 (£265,000-£270,000 in 2017-18). In 2018-19 this was 6.5 times (2017-18, 6.6) the median remuneration of the workforce, which was £41,283 (2017-18, £40,426).

In both 2018-19 and the previous year, 0 employees received remuneration in excess of the highest paid director. The remuneration of the lowest paid employee was £22,488 (£20,442 in 2017-18), and the highest paid was the Chief Executive, as disclosed above.

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.

The ratio is calculated by taking 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 staff of other staff at the reporting period end date on an annualised basis. 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.

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.

These disclosures have been subject to external audit. Further details about the Civil Service pension arrangements can be found at:

www.civilservicepensionscheme.org.uk

Pension benefits	Accrued pension at pension age as at 31/3/19 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2019	CETV at 31 March 2018	Real increase in CETV	Employer contribution to partnership pension account
Officials	£'000	£'000	£'000	£'000	£'000	Nearest £100
Louis Taylor Chief Executive	55-60	0-2.5	639	614	11	27,700
Cameron Fox Chief Finance & Operating Officer	10-15	2.5-5	137	82	31	0
Samir Parkash Chief Risk Officer	0	0	0	0	0	22,900

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) is an unfunded multi-employer defined benefit scheme and UKEF is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2016. More information can be found in the Civil Superannuation accounts, which are prepared by the Cabinet Office and published on the Civil Service Pensions website: www.civilservicepensionscheme.org.uk

For 2018-19, employers' contributions of £2,974,808 were payable to the PCSPS (2017-18: £2,762,612) at 1 of 4 rates in the range 20.0% to 24.5% 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 2018-19 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 £187,258 (2017-18: £113,128) were paid to 1 or more of the panel of 3 appointed stakeholder pension providers. 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 pay. In addition, employer contributions of £6,547 (2017-18: £3,637), 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

Non-executive directors are paid an annual 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.

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

Non-executive member	Fees for 2018-19 £000	Fees for 2017-18 £000
Noël Harwerth Chair of UKEF Board Member of Remuneration Committee	45-50	45-50
Shalini Khemka Member of UKEF Board Member of Audit Committee	10-15	0-5 (10-15 FTE)
Amin Mawji OBE Member of UKEF Board Chair of Audit Committee Member of Remuneration Committee	15-20	15-20
Oliver Peterken Member of UKEF Board Chair of Risk Committee Member of Audit and Remuneration Committees	15-20	15-20
Lawrence M. Weiss Member of UKEF Board Member of Audit, Risk and Remuneration Committees	10-15	10-15
Kimberley Wiehl Member of UKEF Board Member of Risk and Remuneration Committees <i>Started 3 October 2018</i>	5-10 (10-15 FTE)	N/A

Civil servants employed by other departments 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 2018-19.

Off-payroll engagements that had lasted longer than 6 months as at 31 March 2019:

Number of existing engagements at 31 March 2019	13
of which, had existed for	
less than 1 year	4
between 1 and 2 years	3
between 2 and 3 years	4
between 3 and 4 years	2
4 years or more at the time of reporting	0
Total	13

Tax assurance for new off-payroll engagements

Number of new engagements, plus those that reached 6 month duration, between 1 April 2018 and 31 March 2019	12
Declared Inside IR35	1
Outside IR35	11
No. on Department Payroll	0
Nos reassessed, assurance not received	0

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	0
No. of individuals that have been 'deemed' board members and/or senior officials with significant financial responsibility during the year.	13

Cost of off-payroll engagements

The total cost for 2018-19 including engagements of individuals whose daily cost was less than £245 per day was £2,101,721 (2017-18: £2,798,440).

Expenditure on consultancy

Total expenditure on consultancy in 2018-19 amounted to £543,583 (2017-18: £369,255).

Compensation for loss of office

3 members of staff left under voluntary exit terms during 2018-19.

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.

These disclosures have been subject to external audit.

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
	2018-19			2017-18		
<£10,000	0	0	0	0	1	1
£10,000 - £25,000	0	2	2	0	1	1
£25,000 - £50,000	0	1	1	0	0	0
£50,000 - £100,000	0	0	0	0	0	0
£100,000 - £150,000	0	0	0	0	0	0
£150,000 - £200,000	0	0	0	0	0	0
Total no. of exit packages	0	3	3	0	2	2
Total cost /£k	0	61	61	0	30	30

Ill health retirement costs are met by the pension scheme and are not included in the table above. During 2018-19 no individuals retired early on ill-health grounds (2017-18: nil); the total additional accrued pension liabilities in the year amounted to £0 for 2018-19 (2017-18: £0).

Parliamentary Accountability and Audit

Statement of Parliamentary Supply

For the year ended 31 March 2019

The Government Financial Reporting Manual (FRoM) requires UK Export Finance to prepare a Statement of Parliamentary Supply (SoPS) and supporting Notes to show resource outturn against the Supply Estimate presented to Parliament, in respect of each budgetary control limit. The SoPs and related Notes are subject to audit.

A Business Group
team meeting



Summary of Resource and Capital Outturn 2018-19

		2018-19						2017-18	
		Estimate			Outturn			Voted outturn compared with Estimate: savings/(excess)	Outturn
		Voted	Non-Voted	Total	Voted	Non-Voted	Total	Total	
Departmental Expenditure Limit	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
- Resource	SOPS1(a)	1,301	-	1,301	1,288	-	1,288	13	(499)
- Capital	SOPS1(b)	300	-	300	79	-	79	221	671
Annually Managed Expenditure									
- Resource	SOPS1(a)	133,374	-	133,374	(128,993)	-	(128,993)	262,367	(4,619)
- Capital	SOPS1(b)	725,368	-	725,368	426,448	-	426,448	298,920	167,736
Total Budget		860,343	-	860,343	298,822	-	298,822	561,521	163,289
Total Resource		134,675	-	134,675	(127,705)	-	(127,705)	262,380	(5,118)
Total Capital		725,668	-	725,668	426,527	-	426,527	299,141	168,407
Total		860,343	-	860,343	298,822	-	298,822	561,521	163,289

Net cash requirement 2018-19

		2018-19	2018-19	2017-18
		Estimate	Outturn	Outturn
		£'000	£'000	£'000
Total	Note	363,628	(57,649)	(56,660)
	SOPS2		421,277	

Administration Costs 2018-19

		2018-19	2018-19	2017-18
		Estimate	Outturn	Outturn
		£'000	£'000	£'000
Total		1	-	(499)

Figures in the areas outlined in bold are voted totals subject to Parliamentary control. In addition, 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 124 to 164 form part of the Statement of Parliamentary Supply.

SoPS1 Analysis of net outturn by section

SoPS1(a) Resource

	2018-19										2017-18
	Administration			Programme			Outturn	Estimate	Outturn compared with Estimate: savings/ (excess)	Outturn compared with Estimate, adjusted for virements	Outturn
	Gross	Income	Net	Gross	Income	Net	Total	Total			Total
	£'000	£'000	£'000	£'000	£'000	£'000	Net	Net	£'000	£'000	Net
Voted spending in Departmental Expenditure Limit (DEL)											
A Export Credit Guarantees and Investments	35,607	(35,607)	-	1,988	(700)	1,288	1,288	1,301	13	13	(499)
Total	35,607	(35,607)	-	1,988	(700)	1,288	1,288	1,301	13	13	(499)
Voted spending in Annually Managed Expenditure (AME)											
B Export Credits	-	-	-	288,695	(363,115)	(74,420)	(74,420)	30,460	104,880	104,880	(24,519)
C Fixed Rate Export Finance Assistance	-	-	-	899	(1,189)	(290)	(290)	1,294	1,584	1,584	(621)
D Loans and interest equalisation	-	-	-	-	(799)	(799)	(799)	(666)	133	133	(1,694)
E Direct Lending	-	-	-	-	(53,484)	(53,484)	(53,484)	102,286	155,770	155,770	22,215
Total	-	-	-	289,594	(418,587)	(128,993)	(128,993)	133,374	262,367	262,367	(4,619)
Total Resource	35,607	(35,607)	-	291,582	(419,287)	(127,705)	(127,705)	134,675	262,380	262,380	(5,118)

Explanation of variances between Estimate and outturn:

A. Voted spending in RDEL – UKEF operates (with HM Treasury approval) 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 2015 SR(15) UKEF has a maximum amount of income (agreed per year over the 4 years) which can be used to fully offset expenditure. Also, annually (as part of the Supply Estimates process) HM Treasury then 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 written to cover risk and administration costs. A net RDEL outturn of zero shows UKEF is covering its Administration costs from the premium that was written.

For the first time in 2018-19 UKEF received RDEL Programme budget of £2m towards the GREAT Marketing campaign, of which £1.3m came from DIT (in addition to UKEF RDEL settlement) and £0.7m came from UKEF RDEL settlement. RDEL Programme budget is ring fenced to be used solely for GREAT Marketing related activities. UKEF share of RDEL Programme budget is funded from its premium income.

B. Export Credits £105 million – the variance largely relates to a change in economic outlook with regard to the recoverability of insurance assets as well as foreign exchange movements that were significant in 2018-19 due to a 7% weakening of the Sterling against the US Dollar.

E. Direct Lending £156 million – this 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(b) Capital

			2018-19		2017-18
			Outturn	Estimate	Outturn
			Net	Net total compared with Estimate	Net
Gross	Income	Net	Net		Net
£'000	£'000	£'000	£'000	£'000	£'000
Voted spending in Departmental Expenditure Limit (DEL)					
A Export Credit Guarantees and Investments					
	79	-	79	300	671
Total	79	-	79	300	671
Voted spending in Annually Managed Expenditure (AME)					
D Loans and interest equalisation					
	-	(4,995)	(4,995)	(4,610)	(17,334)
E Direct Lending					
	485,615	(54,172)	431,443	729,978	185,070
Total	485,615	(59,167)	426,448	725,368	167,736
Total Capital					
	485,694	(59,167)	426,527	725,668	168,407

Explanation of variances between Estimate and outturn:

E. Direct Lending £298 million – this variance relates to the fact the Direct Lending Facility had a lower take up than the headroom provided (to meet possible demand) in the Estimate. 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 Net Resource Outturn to Net Cash Requirement

	SOPS Note	2018-19 Estimate £'000	2018-19 Outturn £'000	2018-19 Variance £'000
Resource Outturn	SOPS1(a)	134,675	(127,705)	262,380
Capital Outturn	SOPS1(b)	725,668	426,527	299,141
Accruals to cash adjustments:				
<i>Adjustments to remove non-cash items:</i>				
Depreciation & amortisation of Equipment and Intangible Assets		(329)	(272)	(57)
Net foreign exchange differences & other non cash items		(144,865)	74,627	(219,492)
New provisions and adjustments to previous provisions		(206,123)	(283,270)	77,147
<i>Adjustments to reflect movements in working balances:</i>				
Increase/(Decrease) in receivables		(171,060)	(66,364)	(104,696)
(Increase)/Decrease in payables		25,516	(81,379)	106,895
Use of provisions		146	187	(41)
Net cash requirement		363,628	(57,649)	421,277

Parliamentary Accountability Disclosures

These disclosures are subject to audit.

Other Parliamentary Accountability Disclosures

In 2018-19 UKEF has not made any special payments or gifts, and does not have any remote contingent liabilities.



Louis Taylor
Chief Executive and Accounting Officer

12 June 2019

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 2019 under the Government Resources and Accounts Act 2000. The financial statements comprise: the 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.

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 2019 and of the Department's net operating income for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

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 2019 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 of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Export Credits Guarantee Department in accordance with the ethical requirements that are relevant to my audit and 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

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that 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 the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

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 and for being satisfied that they give a true and fair view.

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.

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. 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.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Export Credits Guarantee Department's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and 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, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- 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 any material misstatements in the Performance Report or the Accountability Report; 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

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

Report

I have no observations to make on these financial statements. The disclosures made on page 87 to 88 of the Governance Statement appropriately detail the regularity of transactions in the period under Ministerial Directions.

Gareth Davies
Comptroller and Auditor General

13 June 2019

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