



Department
for International
Development



Accounting Officer System Statement

July 2019



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Scope of the system

Statement of Accounting Officer Responsibilities

1. The Secretary of State for International Development has overall responsibility for the Department for International Development (DFID). Junior Ministers support the Secretary of State. Ministers work within the Ministerial Code and are accountable to Parliament on all aspects of DFID's policy and delivery decisions.

Principal Accounting Officer's Statement

As Permanent Secretary, I am appointed by HM Treasury as the Principal Accounting Officer to the Department for International Development with responsibility for all funding under the DFID Estimate and the Overseas Superannuation Accounts approved by Parliament. HM Treasury also provides a set of delegated spending authorities which specify the circumstances when I can seek additional Treasury approval to commit resources.

This statement covers my core department, its arm's length bodies and other arm's length relationships. It describes accountability for all expenditure of public money through my department's Estimate, all public money raised as income, and the management of shareholdings, financial investments and other publicly owned assets for which I am responsible.

The legal basis for the UK's expenditure on development and humanitarian assistance is the International Development Act 2002. DFID reports annually to Parliament on development policies and programmes and the provision of development assistance to partner countries under the International Development (Reporting and Transparency) Act 2006. The International Development (Gender Equality) Act 2014 ensures that the department considers gender equality before providing assistance and the International Development (Official Development Assistance Target) Act 2015 commits the UK government to the target of spending 0.7% of gross national income (GNI) on overseas aid.

As Accounting Officer, I am also responsible for DFID's Overseas Pensions Department, which administers pension schemes that have been set up under the Acts of Parliament: Overseas Pensions Act 1973, Pensions (Increase) Act 1971, as amended, Hong Kong (Overseas Public Servants) Act 1996 and the UK Police and Firemen Acts 1997.

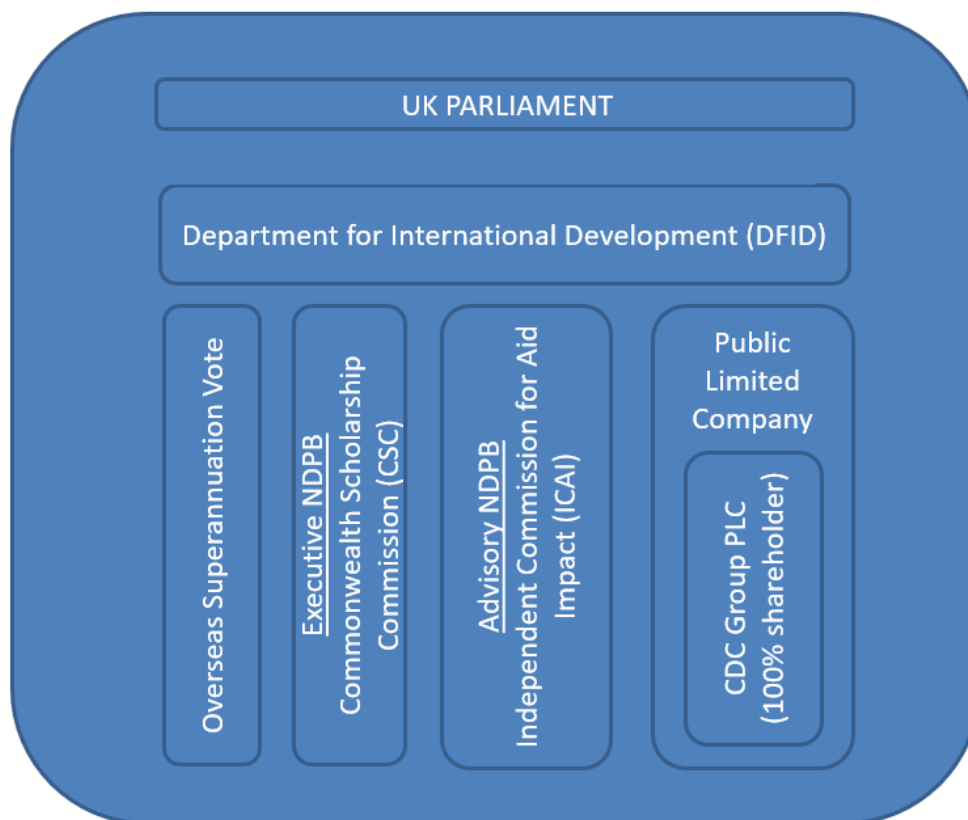
This statement describes the accountability system which is in place at July 2019 and will continue to apply until a revised statement is published. It summarises the systems I have in place to fulfil my responsibilities as an accounting officer in accordance with HM Treasury's guidance set out in Managing Public Money.

2. DFID, working closely with other government departments, leads the UK's work to end extreme poverty, deliver the Sustainable Development Goals (SDGs), and tackle global challenges in line with the UK Government's Aid Strategy. Some 99% of our budget is classed as Official Development Assistance (ODA) under the rules established by the Organisation for Economic Co-operation and Development. We ensure that the UK Government meets its target to spend 0.7% of GNI on overseas aid.
3. Through the Overseas Pensions Department (OPD), DFID administers pension schemes to former expatriate colonial civil and public servants and their dependants. OPD is also responsible for the formulation of the UK Government's policy on overseas pensions and UK pension increase supplements.

System of accountability

4. DFID is a Ministerial department responsible for two arm's length bodies: The Independent Commission for Aid Impact and the Commonwealth Scholarship Commission. DFID is a 100% shareholder in a public limited company (CDC Group plc). We operate an arm's-length relationship for our shareholding meaning that day-to-day operations and investment decisions are independent of government. We are not involved in investment decisions and CDC is solely responsible and accountable for investment decision making. More information on CDC can be found in the section on Investments, joint ventures and other assets.
5. DFID employs staff who work in our offices in London, East Kilbride and globally. We work in countries across Africa, Asia and the Middle East, many of which are fragile or affected by conflict. We also have regional programmes in Africa, Asia and the Caribbean, and development relationships with aid-dependent Overseas Territories. In addition to working directly in countries, we also provide UK aid through multi-country global programmes and contributions to multilateral organisations.
6. DFID works with the private sector, non-governmental organisations, overseas governments and other development actors including multilateral organisations. With this operating model, we can deliver at scale and flexibly across several fragile and conflict-affected countries. We use a range of funding instruments to fulfil our policy objectives including grants, contracts and financial investments. Our accountability system consists of an evidence-based business planning process, supported by governance, monitoring, audit, assurance and risk management processes.

Figure 1 – Scope of the System



7. Our operating framework for all programme activity and expenditure is designed around a set of 'Smart Rules' that set out the approval and management processes which spending teams should follow. The Programme Cycle Committee reviews the Smart Rules every six

months and revises them when necessary. The Smart Rules are built on the principle of 'empowered accountability'. Each programme has a Senior Responsible Owner (SRO) who is accountable for programme delivery and is empowered to make day-to-day decisions. The Smart Rules and supporting documents make it clear that programme teams should proactively escalate concerns, major risks or significant changes in the operating environment.

8. We deliver programmes within a governance framework that provides oversight from resource allocation, through programme design, to closure. It consists of eight control points (set out below), using standard templates wherever possible. The scope of this framework is applicable for all forms of programme expenditure:
 1. **Single Departmental Plan (SDP):** This sets out our objectives and how we will achieve them.
 2. **Business Plans:** Individual business units develop business plans setting out what and how they will deliver, consistent with DFID's SDP. Ministers approve business Plans.
 3. **Concept Note:** The Concept Note sets out a proposal for an individual programme, explaining how it fits with the strategic objectives in a Business Plan, what the proposed intervention is and why it is recommended for approval.
 4. **Business Case:** The Business Case details how a programme will achieve its objectives and contribute to delivering the Business Plan strategic objectives and results.
 5. **Formal Agreement:** The formal agreement establishes roles and responsibilities between DFID and our implementing partner/supplier. Programme delivery mechanisms are formalised through a variety of agreements using a set of standard templates.
 6. **Delivery Plan:** SROs are responsible for developing and updating a Delivery Plan setting out, for each programme: delivery priorities; key milestones; a finalised logical framework, or log frame; roles and responsibilities; and risk management strategies. They also record the flow of funds to partners through maintaining a delivery chain map of the programme.
 7. **Annual Review:** All programmes are annually reviewed unless an exemption has been approved. The review assesses performance, ongoing relevance, value for money, lessons learned, and identifies any remedial action required. A programme's score contributes to our portfolio quality index which provides an assessment of how our programmes are performing.
 8. **Project Completion Review:** All programmes have a Project Completion Review within three months of formal operational closure, ensuring that all monies are accounted for; unspent funds are returned; liabilities are extinguished; available documents are published; and lessons learned are captured.

Managing risk

9. DFID bases its risk management framework on HM Treasury's process for managing risks (identify, assess, respond, and control) and DFID's delivery model defined by the Smart Rules (design, mobilisation, delivery, and closure). The framework provides an approach and standards for assessing, identifying, responding to and controlling risks, within agreed principles and using a consistent set of risk categories and tools. The six categories of risk are: external context, delivery, safeguards, operational, fiduciary and reputational.

10. We use risk registers at all levels across the organisation from the strategic risk register (owned by the Management Board) to departmental and programme risk registers. This enables risks to be clearly identified, along with information on their management and the individual responsible for monitoring and reporting on them. Risk assessments are embedded within each programme business case. SROs manage risk throughout the lifecycle of the programme ensuring it is within the risk appetite approved in the business case.

Control and assurance framework

11. In DFID, internal controls protect our funds and assets from fraud, error or loss, and give assurance that risks are effectively addressed. In 2017, we strengthened our internal control environment by publishing our Control and Assurance Framework and clarifying our 'Corporate Rules'. The 'Corporate Gateway', an internal online platform, sets out responsibilities for all staff across the department and makes it clear who is accountable for what across key corporate processes.

12. The Control and Assurance Framework applies to all staff and sets out our approach through a series of inter-related components: the control environment; DFID objectives; risk assessment; control activities; and monitoring and assurance activities. For corporate processes, the framework provides:

- clear rules, policies and guidance;
- control and responsibility matrices;
- management information; and
- robust assurance processes and tools.

Figure 2 – Control and Assurance Framework



Control environment

13. Our control environment operates across the [three lines of defence model](#) setting out the roles, responsibilities and expectations of all staff to make sure we meet our objectives.

Figure 3 – Three lines of defence

| First line responsibilities | Second line responsibilities | Third line responsibilities |
|---|---|--|
| <ul style="list-style-type: none"> • Identifies, assesses, controls, and mitigates risks. • Applies internal controls and policies. • Executes risk and control procedures on a day-to-day basis. • Responds to changes in risks / risk appetite. • Implements corrective action to address deficiencies. • Manages and supervises to ensure compliance and identify any breakdown in controls. | <ul style="list-style-type: none"> • Alignment of strategic objectives with risk assessment and related responses. • Ensures the first line of defence is properly designed and operating as intended. • Designs and implements risk management policies and procedures. • Provides methods and tools to support management of risk. • Monitors compliance with risk and control policies. | <ul style="list-style-type: none"> • Provides independent, objective assurance. • Recommends improvements to the management of risk and control activities. • Independent investigation of fraud and allegations of malpractice in first two lines. |

- The **first line of defence** is fulfilled by front-line spending teams who own the decisions they take which reflect risk-based judgements.
- The **second line of defence** sets the policy, procedures and guidance and monitors compliance through constructive challenge. Corporate departments support first line teams to build the capabilities they need to operate within the Control Framework.
- The **third line of defence** provides independent oversight and scrutiny ensuring that the Framework remains appropriate and is adhered to. It is provided internally by the Internal Audit Department and the Audit Risk and Assurance Committee.

Counter aid diversion

- DFID's Counter Aid Diversion Strategy aligns with the Government Functional Standard on Counter Fraud. It is framed within DFID's three lines of defence providing an outline of our counter aid diversion landscape and an overview of roles and responsibilities. The strategy covers DFID's approach to all aid diversion risks: fraud, terrorist financing, money laundering and bribery. The strategy:
 - encourages prevention;
 - promotes detection;
 - ensures effective investigation where suspected aid diversion has occurred; and
 - applies sanctions and enforces a zero-tolerance approach where aid diversion has been committed.
- The Director General for Finance and Corporate Performance is DFID's Counter Fraud Champion. The Counter Fraud Champion sets the tone and oversees the fight against aid diversion by instilling an anti-fraud culture in the organisation. Responsibility to manage the risk of fraud resides at all levels within DFID including assurance, programme delivery, policy and corporate functions.
- The Counter Aid Diversion Steering Group is a strategic level working group responsible for tracking progress against the Counter Aid Diversion Strategy and oversight for the management of counter aid diversion risks.
- The Control and Assurance Team is responsible for shaping the counter aid diversion strategy by ensuring adequate counter fraud governance, risk management and control and assurance processes are in place. The team provides direction and support to equip staff to have the capacity, capability and confidence to deliver their responsibilities.

18. The Internal Audit Investigation Section is an independent investigative unit that sits within the Internal Audit Department. It is responsible for leading and undertaking investigations including those related to abuse, exploitation and harassment. It manages DFID's independent reporting hotline reportingconcerns@dfid.gov.uk where all staff must report any potential misappropriation of DFID funds.
19. Fraud Liaison Officers provide a link between individual offices/departments and the Internal Audit Investigation Section. This work includes supporting individual enquiries and increasing understanding and awareness of risks within the country office/department.

Safeguarding

20. Safeguarding for DFID means taking all reasonable steps to prevent harm, exploitation and abuse from occurring and to protect people (especially vulnerable adults and children) from that harm. We have zero tolerance of sexual exploitation, abuse and harassment. All staff must comply with the values and behaviours set out in the [Civil Service Code](#) and [Management Code](#) as well as our [Standards of Conduct](#).
21. DFID's Smart Rules and Risk Management Framework make it clear that teams and partners should escalate any concerns or credible suspicions as they arise, reporting them through our independent reporting hotline or email address. The Safeguarding Investigations Team are responsible for ensuring an appropriate investigatory response to all reported concerns.
22. Preventing the abuse and exploitation of beneficiaries of DFID-funded programmes starts at the design phase of a programme and runs throughout its lifecycle. Throughout our programme cycle there are several control points that provide opportunities for teams to anticipate, identify and respond to safeguarding concerns, including the sexual exploitation and abuse of beneficiaries.
23. DFID is committed to improving safeguarding standards across the aid sector. A dedicated Safeguarding Unit was established in February 2018 and the Director General for Policy, Research and Humanitarian Division has overall accountability. We ensure all those working in reducing poverty internationally take all reasonable steps to prevent harm, particularly sexual exploitation, abuse and harassment from occurring; listen to those who are affected; respond sensitively but robustly when harm or allegations of harm occur; and learn from every case.

Responsibilities within the core department

24. Our governance structure was reviewed and updated in 2019. DFID's vision for corporate governance is to create an inclusive, accountable and transparent structure that enables our leadership to take effective decisions that are communicated across the organisation. The aim is to:
 - make it clear how cross-departmental decisions are taken and who is accountable for them;
 - agree and communicate strategic priorities;
 - enable coherent forward planning and the allocation of resources to priorities;
 - track progress and impact; and
 - support horizon scanning for longer term issues and risks.
25. The Departmental Board, Management Board and subcommittees govern DFID's internal policies and priorities.
26. DFID is structured across the three functional areas (business operations, oversight functions and independent assurance) with oversight from the Departmental Board. The

Management Board and other sub-committees support the Departmental Board, which has overall responsibility for DFID's governance.

Figure 4 – Governance structure*



* Green indicates bodies that are advisory, not decision making.

27. The **Departmental Board** supports the Accounting Officer who, is responsible for DFID's governance, risk management and internal control arrangements.
28. The Secretary of State chairs the Departmental Board whose membership includes Ministers, Non-Executive Directors, and the Executive Committee. The Board is advisory and supervisory in its scrutiny of departmental performance. It provides a challenge function, based on the precepts of good corporate governance: leadership, effectiveness, accountability and sustainability. It does this in five main areas: strategic clarity, commercial sense, talented people, results focus and management information. The Audit Risk and Assurance Committee reports directly to the Departmental Board.
29. The **Management Board** meets monthly. It has the same membership as the Executive Committee, but Non-Executive Directors are invited to, and often do, attend. Observers have access to as many agenda items as possible. The Board's role is to consider and approve strategic shifts and major organisational change, oversee formal governance and management processes across the organisation, monitor performance and risk and ensure the department is equipped to deliver its objectives.
30. The **Executive Committee** meets at least biweekly and includes the department's senior management team: The Permanent Secretary, Directors General and Directors for Finance and Delivery, People and Strategy. The Executive Committee is not open to observers. The committee receives papers that require substantive internal or sensitive consideration. It responds to live and urgent issues, taking strategic decisions to facilitate the smooth running of the organisation.

31. The **Challenge Board** is advisory and meets monthly before the Management Board. It comprises more junior members of staff. It considers Management Board or Executive Committee papers and offers written and verbal advice.
32. The **Leadership Group** is both a consultative group to inform the Management Board and Executive Committee discussions, and a leadership group for the development and implementation of strategies, policies and corporate change processes affecting the department.
33. The main sub-committees are: The Investment Committee; People and Operations Committee; and Security Committee.
34. The **Investment Committee** provides assurance that the programme portfolio is delivering value for money. It achieves this through monitoring programme and portfolio performance and agreeing actions to address poor performance. It does not make specific investment decisions, which rest with Ministers.
35. The **People and Operations Committee** ensures strong people capability, operational excellence and delivery. It is responsible for DFID's overall administrative efficiency and supports decisions and policy changes where there will be a significant or organisational impact.
36. The **Security Committee** is responsible for monitoring the adequacy and effectiveness of all aspects of DFID's global security. Its primary focus is on security of DFID staff; however, it also reviews all aspects of cyber, physical and information security, along with health and safety.
37. The Permanent Secretary chairs the **Senior Leadership Committee**. The Committee takes systemic or policy issues from the People and Operations Committee and is responsible for overall workforce planning and management of the Senior Civil Service cadre, including ratifying all Senior Civil Service appointments.
38. The **Audit, Risk and Assurance Committee** is a subcommittee of the Departmental Board and advises the Board and the Accounting Officer on the assurance processes and actions in relation to management of risks, strategic processes for risk management, internal control and governance. This includes accounting policies, financial statements and DFID's Annual Report and Accounts. It monitors the reporting of fraud and other improper acts including being satisfied that all significant losses brought to the Committee's attention have been properly investigated, resolved and communicated.
39. The Accounting Officer delegates responsibility to DFID's Directors General, Directors and Deputy Directors, who have the authority to approve expenditure and commit resources within predefined limits, together with the responsibility for proper stewardship of these resources and compliance within the requirements of [HM Treasury's Managing Public Money](#).
40. Directors are accountable to the Management Board for delivering business plans across their division's portfolio and acting to re-balance programme portfolios when necessary. They identify and manage portfolio risks, ensuring that systems are in place to provide assurance that these risks (including the risk of fraud) are managed properly. They are accountable for ensuring that DFID controls operate effectively in their areas and work with their peers to give corporate leadership on department-wide issues. The Annual Statement of Assurance forms an integral part of this control environment, requiring Directors and Heads of Department to provide assurance that our internal controls and corporate governance arrangements have been consistently applied within their business unit.

Figure 5 – Organisational structure



41. Each Head of Department is responsible for managing resources and delivering results within their area. They are accountable for their portfolio of programmes. The Head of Department appoints a Senior Responsible Owner (SRO) for each programme who is accountable for its design and delivery oversight. The SRO leads a team of DFID staff which includes commercial, financial, programme management and technical (e.g. health) expertise. The SRO role includes ensuring:

- delivery of DFID's objectives as set out in the programme Business Case and Delivery Plan;
- designing and adapting programmes to changing contexts, based on learning and feedback;
- compliance with the Smart Rules (with respect to design, delivery and closure of programmes);
- objectivity when evaluating under-performance, acting to improve, to restructure or to close; and
- that all the risks associated with programmes are clearly articulated and summarised in the Business Case and Delivery Plan.

Audit and assurance

42. DFID's risk and assurance arrangements support the delivery and accountability requirements of the Accounting Officer and the Departmental Board, providing evidence-based assurance on the management of risks that threaten successful achievement of public service delivery objectives.

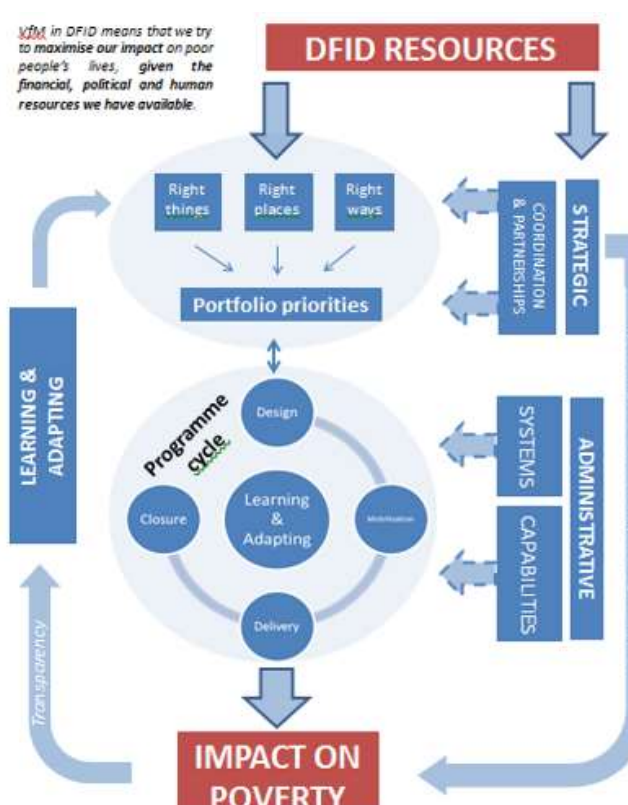
43. Internal Audit Department provides an important source of assurance to the Accounting Officer and to the Audit and Risk Assurance Committee. It is an independent function which reports outside the line management chain to the Accounting Officer, reviewing all DFID's activities periodically (overseas offices every two years; headquarters functions every five years).

44. The National Audit Office, as our external auditor, have a statutory responsibility for the audit of DFID's annual Report and Accounts. They also undertake periodic reviews and thematic investigations to assess whether DFID spending represents value for money.
45. The Parliamentary International Development Committee (IDC), the Public Accounts Committee (PAC) and the Independent Commission for Aid Impact (ICAI) provide further scrutiny and independent oversight.
46. The IDC monitors DFID's policy, administration and spending, along with that of its associated public bodies. The IDC takes an interest in the policies and procedures of the multilateral agencies, contractors and non-government organisations to which DFID contributes. The Committee consists of eleven Members of Parliament and sets its own programme and chooses subjects for inquiries.
47. The PAC scrutinises value for money (the economy, efficiency and effectiveness of public spending) and generally holds DFID and its non-departmental bodies (NDPBs) to account for delivery.
48. An annual Governance Statement is included within the Annual Report and Accounts. It covers DFID's corporate governance, risk management and internal control arrangements. This statement incorporates an evaluation on how well the arrangements have operated in practice based on assurance received from the Internal Audit Department and through the Statement of Assurance exercise and management information produced as part of DFID's in-year assurance activities.
49. Directors and Heads of Office/Department provide assurance that DFID's internal controls and corporate governance arrangements have been consistently applied within their business unit (or explain where these have not been so applied) through the Statement of Assurance exercise. We are improving our management information reporting through developing a series of dashboards and response analysis to strengthen the integrity of the information captured. We are developing our approach to transition to an in-year assurance model.

Value for money

50. Value for money (VfM) in DFID means that we work to maximise the impact of each pound spent to support the world's poorest people, deliver the Global Goals and promote our national interests. DFID has a responsibility to those living in extreme poverty and to the UK taxpayer to ensure that our actions maximise value for money.
51. Maximising VfM applies to all aspects of our work. At a strategic level, we aim to improve all UK Official Development Assistance (ODA) and influence the international system. At a portfolio level, we ensure our resources are allocated effectively and have in place strong corporate oversight to monitor and drive VfM. At a programme level, we ensure that the design, procurement, management, and evaluation of our interventions maximise the impact of our resources. At an administrative level, our systems, cultures and behaviours empower staff to deliver more with less, whilst ensuring full accountability to the UK taxpayer.
52. Across all these levels, we invest in the key factors that contribute to delivering VfM, such as transparency, data, scrutiny, performance-based funding mechanisms, and learning. A robust evidence base is essential for the provision of more effective development assistance, helping us to maximise VfM, learn lessons for the future and demonstrate impact.

Figure 6 – How DFID systems aim to maximise VfM



Relationships with Arm's Length Bodies

53. The Accounting Officer is accountable for two Non-Departmental Public Bodies (NDPB) [1]: The Independent Commission for Aid Impact (ICAI) and the Commonwealth Scholarship Commission (CSC).

Independent Commission for Aid Impact

54. ICAI is an advisory NDPB established in May 2011. It provides independent evaluation and scrutiny of the impact and value for money of all UK Government ODA. It reports on its work to Parliament through the International Development Committee.
55. A Framework Agreement between DFID and ICAI sets out the governance arrangements designed to ensure ICAI's propriety and value for money while safeguarding its operational independence. The Permanent Secretary appoints the Head of ICAI's secretariat as the designated Accounting Officer for ICAI who is responsible for the safeguarding of public funds. DFID systems are used to make all payments for ICAI. ICAI is subject to DFID's control framework including review by DFID's Internal Audit Department. The most recent audit was completed in 2019.

56. ICAI publishes its Annual Report and Accounts in June of each year.

Commonwealth Scholarship Commission

1 From 30 April 2018 to 31 March 2019 DFID was responsible for the Equalities and Human Rights Commission due to the Rt Hon Penny Mordaunt MP being appointed as Minister for Women and Equalities, in addition to her role as the Secretary of State for International Development. From 1 April 2019, Government Equalities Office moved from DFID to the Cabinet Office.

57. The Commonwealth Scholarship Commission in the UK (CSC) is an NDPB and was established by an Act of Parliament in 1959. The Secretary of State appoints up to fourteen Commissioners and a chair following the Cabinet Office Public Appointments Code of Practice and the International Development Act 2002. The CSC manages the UK's contribution to the Commonwealth Scholarship and Fellowship Plan, an international programme under which member governments offer scholarships and fellowships to citizens of other Commonwealth countries.
58. The Secretary of State is accountable to Parliament for the activities and performance of the Commission. The International Development Act 2002 sets out the responsibilities of the Secretary of State. The DFID Permanent Secretary, as Principal Accounting Officer for DFID's accounts, has appointed the CSC Chair as CSC Accounting Officer.
59. The Commissioners oversee the running of CSC, taking decisions on its strategic direction and selecting scholars and fellows. The CSC has no employees, contracting out its secretariat and other management functions to two external bodies: The Association of Commonwealth Universities in the UK and the British Council overseas.
60. CSC's governance, financial controls, assurance arrangements and performance monitoring mechanisms are set out in the Framework Document and an associated Financial Memorandum signed between DFID and CSC in line with Cabinet Office guidance on NDPBs. DFID's Internal Audit Department carries out regular audits of CSC. The latest audit was completed in March 2019. The Cabinet Office carried out a review of the three scholarship programmes provided by HMG (the "Cluster Review"), which concluded in April 2016. A further tailored review of the CSC is due in 2019/20.
61. CSC publishes its Annual Report and Accounts in Parliament in December each year.

Overseas Superannuation Vote

62. DFID, through its Overseas Pensions Department (OPD), is responsible for the administration and payment of pensions and related benefits to former expatriate colonial civil and public servants, including those derived from service and military capacity in former British India, Sudan and Egypt public service. OPD manages the schemes, which are closed to new members. OPD is also responsible for the formulation of HMG's policy on overseas pensions and UK pension increase supplements.
63. The majority of pensions come from two policy initiatives by the British Government: a 1962 agreement to supplement the pensions paid 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 103 pension schemes set up are covered under the following Acts of Parliament:
- Overseas Pensions Act 1973;
 - Pensions (Increase) Act 1971, as amended;
 - Hong Kong (Overseas Public Servants) Act 1996; and
 - UK Police and Firemen Acts 1997.
64. OPD is part of DFID's control and assurance framework and the National Audit Office audit its accounts.

Grants to private and voluntary sector bodies

65. We provide grants to a range of Civil Society Organisations (CSOs), both through our country offices and central departments.

66. Grants to CSOs are designed, approved, managed and closed in line with DFID's programme cycle and the eight control points outlined above. DFID transfers responsibility for delivery of grant outputs and outcomes to grant recipients through formal grant arrangements. We receive initial assurance that the recipient's policies, procedures, processes and systems are robust through a due diligence assessment prior to issuing the grant letter. Assurance throughout the delivery of the grant comes from regular meetings with partners, using delivery plans to monitor finance, risk and results and through formal annual reviews. Project completion reviews are undertaken to provide final assurance that the grant has delivered expected outputs and outcomes.
67. DFID may engage a fund manager to manage larger grant schemes. In such cases, DFID transfers responsibility for the proper selection and management of grants in line with DFID and wider government rules through a contract following a formal contracting procedure. DFID officials recommend awarding grants for approval by the Secretary of State. More detail on the accountability and assurance systems for contracts is provided above.
68. In 2018, the Cabinet Office conducted a maturity assessment [2] of DFID's grant making processes. DFID received an overall assessment of 'established' (level 3 of a 5-point rating scale) which the Cabinet Office considers as a level of maturity that surpasses the Government Functional Standard for General Grants that was introduced in December 2016.
69. Of the 22 indicators, 10 were assessed as 'advanced' (level 4), nine were 'established' and three were 'developing' (level 2). The areas identified as 'developing' were related to market engagement prior to awarding grant funds. DFID is continuing discussions with Cabinet Office colleagues to agree specific improvement actions.
70. In addition to any actions agreed with Cabinet Office, DFID is planning to further strengthen its grant making processes over the course of 2019/20. This will include increased capacity, capability and oversight of due diligence prior to awarding grants and the roll out of a new budget template bringing greater consistency and transparency around costs.

Major contracts and outsourced services

71. Contracting is an important part of DFID's delivery model providing access to world class expertise in specialist areas, whilst allowing operational flexibility. We are committed to providing an end-to-end procurement and commercial solution delivering the right interventions at the right time.
72. We tender our contracts in compliance with the EU Public Procurement Directives and the UK Public Procurement Regulations 2015. This legislation requires authorities to observe the principles of equal treatment, non-discrimination, transparency and proportionality. DFID's contracts are competitively tendered following a set of standard processes set out in the regulations.
73. If we select a contract with a supplier as the best delivery route, we require to maximise value for money throughout the life of the contract. Consideration is given to the programme design, the most appropriate public procurement route to ensure sufficient competition and value for money, tender evaluation and the management and evaluation of the programme to deliver the maximum impact for UK aid. This includes options to scale up or close programmes.

² The Cabinet Office maturity model is structured around 22 indicators covering both the Cabinet Office's 6 stages of the grant making process, from design through to final evaluation, and 3 broader themes of governance, capability and technology. For each indicator departments are assessed against a five-point scale from 'basic' (level 1) to 'leading' (level 5). At each level, the model sets out the practices and outcomes required to improve performance. Level 3 ('established') and above demonstrates maturity that surpasses the minimum standards.

74. The effectiveness and value for money of our partners are subject to scrutiny, both in advance and throughout delivery. DFID looks for the right combination of technical and country expertise, ability to provide value for money, and capacity to mobilise and manage the programme in-country as part of the tendering process.

Multilateral Funding

75. The UK is a founding member and key funder of many of the world's leading international organisations including the World Bank, the United Nations and newer organisations such as the Global Funds. Multilaterals mobilise significant resource and expertise from others, expand the UK's development reach, and support action to tackle global challenges that the UK can't address alone. Their leadership, meetings and co-ordination functions can reduce transaction costs, and their role in brokering and monitoring adherence to international agreements can raise and protect norms and standards across the international system.
76. The multilateral system has received around 40% of DFID's budget in core contributions in the last five years. In addition, DFID's bilateral programmes commission multilaterals to deliver projects (known as multi-bi programmes), accounting for a further 20% of DFID's budget.
77. In 2018, Ministers agreed a set of overarching principles that require multilateral funding to demonstrate:
- alignment with DFID and UK priorities;
 - how the multilateral organisation delivers value for money, results, and contributes to a strong and effective international system; and
 - that the recommended level of funding is appropriate, compared to funding from other donors and other calls on DFID's budget.
78. All decisions (core and multi-bi) to fund multilateral organisations are appraised, designed, approved, managed and closed in line with our programme cycle. As with all DFID programmes, the performance of multilateral programmes is closely monitored to ensure they deliver results, remain cost effective and demonstrate value for money for UK taxpayers. DFID's decisions are informed by central assurance assessments, which assess the multilateral organisation's role in the international system, governance structure, financial stability, and ability to deliver and work with downstream partners. For multi-bi programmes, due diligence assessments provide information on the maturity of the organisation's systems in the local context. DFID receives additional assurance on multilateral performance through its membership of the Multilateral Organisation Performance Assessment Network (MOPAN). This is a network of 19 donors, which funds assessments to find strengths and areas for improvement in the multilateral organisations, and collectively uses findings to inform Board discussions and improve effectiveness.
79. The UK's investments in multilateral institutions gives us significant influence in driving reform and improvements to make multilaterals more efficient and transparent, and to shape the broader international system in line with UK values. At Board meetings and in committees, DFID and UK delegations work closely with other donors to hold multilateral institutions to account, ensure strong results and value for money and secure reform where necessary.

Investments, joint ventures and other assets

80. DFID is increasingly making investments, which we call development capital, to create jobs, catalyse private sector investment and build markets in challenging regions. Long-term capital can demonstrate the financial viability of investing in the world's poorest countries, reducing costs and risk for private investors. In this way, DFID-supported

investments can draw in multiples of the funds invested and put economic development on a sustainable footing.

CDC Group plc

81. DFID holds 100% of the issued share capital of CDC Group plc, which is a development finance institution. It invests in private sector businesses in Africa and South Asia to create jobs and make a lasting difference to people's lives in some of the world's poorest places.
82. As the UK's development finance institution, CDC is our principal partner on development capital. CDC brings needed capital to the poorest and most fragile countries to support businesses to thrive. CDC delivers development benefits alongside financial returns, demonstrating that investments in challenging environments can be commercially viable by building markets that generate investment opportunities for the long term. CDC has made pivotal investments across sectors including finance, mobile telecoms and infrastructure.
83. A Board of Directors governs CDC and is answerable to DFID as shareholder. The Secretary of State appoints the Chair of the Board and two of the non-executive directors and agrees CDC's Investment Policy. The Investment Policy sets five-year objectives including instruments, geographies, excluded activities, reporting obligations and performance targets linked to financial returns and development impact. It also incorporates a Code of Responsible Investing which sets compliance standards for environmental, social and governance issues. Quarterly shareholder meetings are held to review results and progress against performance measures. CDC prepares and publishes annual audited financial statements to 31 December which are presented for approval by the shareholder at an Annual General Meeting, following normal company practice.
84. DFID sets an overall profitability hurdle for CDC based on the financial return on its total portfolio and two performance hurdles targets for CDC which are equally weighted:
 - financial return of the commercial risk total CDC portfolio; and
 - development impact.
85. CDC recycles all profits generated by returns on investments into new investments to deliver additional development impact. New legislation passed in 2017 enables DFID to increase the level of financial support it can invest in CDC. DFID currently has no plans to sell any of its shares in CDC.

Other investments

86. The department holds the UK interest in several International Financial Institutions which invest in and advise developing countries. DFID's strategy is to hold these investments for the long term.
87. DFID also holds several development capital investments including investments in private equity funds, limited partnerships, companies limited by shares and debt. These investments are designed to achieve specific development aims across a sector or geographical location. The private equity funds and limited partnerships are for a fixed term and DFID will exit the investments when they are wound-up at the end of their life. The debt instruments all have agreed schedules for repayment. For the companies limited by shares, the intention is to exit by selling shares at the end of the investment period set out in the business case.
88. Given the added complexity of financial investments, DFID's Director, Finance and Delivery is responsible for all approvals prior to a business case submission to Ministers.