

Accountability

UKEF ministers and Board members

UKEF ministers



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



Graham Stuart MP
Minister for Exports

Members of the UKEF Board and its sub-committees



Noël Harwerth
Chair of the UKEF Board and Remuneration Committee



Louis Taylor
Chief Executive Officer



Cameron Fox
Chief Finance and Operating Officer



Samir Parkash
Chief Risk Officer

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



Shalini Khemka
Member of UKEF Board and Remuneration Committee. Member of the Audit Committee to December 31st 2019



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



Justin Manson (to 30 June 2019)
Ex-officio member of UKEF Board, UK Government Investments, Member of Audit, Risk and Remuneration Committees



Madelaine McTernan (from 1 July 2019)
Ex-officio member of UKEF Board, UK Government Investments, Member of Audit, Risk and Remuneration Committees



Kimberley Wiehl
Member of UKEF Board, Member of Risk and Remuneration Committees. Member of the Audit Committee from 1st January 2020



Amin Mawji OBE (to 30 June 2019)
Member of UKEF Board, Chair of Audit Committee and Member of Remuneration Committee



John Mahon
Ex-officio member of UKEF Board, Director General for Exports at the Department for International Trade



Lawrence M. Weiss
Member of UKEF Board, Member of Audit, Risk and Remuneration Committees. Chair of Audit Committee from 1 July 2019



Alistair Clark
Member of the UKEF Board from 21 May 2020, Chair of the Export Guarantees Advisory Council

Register of interests

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

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

A register of non-executive directors directorships and shareholdings is available here:

<https://www.gov.uk/government/organisations/uk-export-finance/about/our-governance>

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 2019 to 31 March 2020.

The areas covered below are:

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



Louis Taylor
Chief Executive
Officer

Background

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

In providing support, we seek to:

- provide value for money to the taxpayer
- engage with exporters, buyers and delivery partners such as banks, without displacing private providers
- provide a quality of service that is responsive to new business, with a focus on solutions within the bounds of acceptable risk and in accordance with our statutory purpose
- maintain the confidence of ministers, Parliament and customers
- effectively communicate what we do to interested parties
- deliver our strategy, outlined in our new Business Plan covering the next 4 years
- realise the objectives in our new business plan to ensure we are better able to meet the needs of customers while appropriately managing the risks to which this exposes UKEF

Corporate governance framework

UKEF was set up in 1919, with its statute introduced in 1920. It is a ministerial department of state established and governed by the Export and Investment Guarantees Act 1991 (EIGA), with the formal name of the Export Credits Guarantee Department (although we operate as "UK Export Finance").

UKEF is operationally and strategically aligned with the Department for International Trade, but is a separate ministerial government department in its own right. Both departments report to the Secretary of State for International Trade. I am the Chief Executive and Principal Accounting Officer of UKEF.

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. I am one of DIT's 5 Directors General. I am also a member of the DIT Board and Executive Committee.

While a separate department from DIT, UKEF is strategically and operationally aligned with it. Both departments have the same Secretary of State.

Ministers

Through the year, Ministers have been provided with regular written and verbal advice and briefings on a range of issues concerning UKEF's operations, including business planning, development of business opportunities, the Environmental Audit Committee inquiry, anti-bribery and corruption due diligence, stress testing, and new and prospective support for UK exporters.

HM Treasury

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

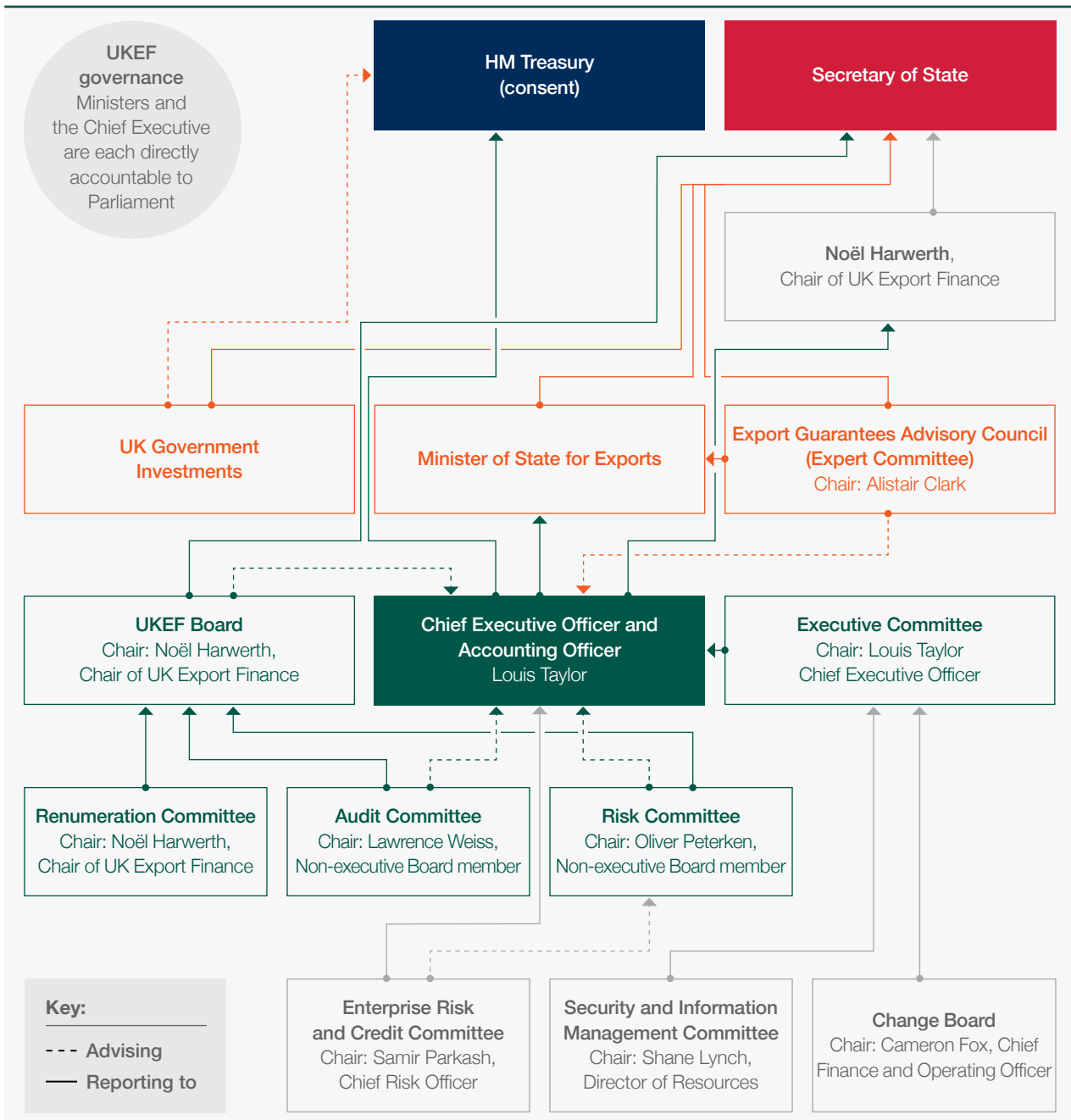
HMT seeks to protect the taxpayer from excessive loss resulting from our lending or contingent liabilities, and the UK economy from economic disbenefit. It exercises this role primarily by monitoring our performance against the financial objectives agreed by ministers and the policy framework they set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

UK Government Investments

UK Government Investments (UKGI) is responsible for providing independent advice to the Secretary of State for International Trade on UKEF's financial performance and corporate governance matters. A UKGI representative is an ex-officio member of UKEF's Board, and HM Treasury has delegated to UKGI the monitoring of 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
- working with DIT to align UKEF policy objectives with those of government

UKEF's Governance Structure



Export Guarantees Advisory Council (EGAC)

EGAC is a statutory body 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:

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

The Council independently publishes a report of its business in the year, which is available on pages 100 to 104 and also from the Council's website.¹

The Council does not hold any independent budget or spending authority. From April 2020, the Chair of the Council has been an ex-officio member of the UKEF Board.

UKEF Board

In discharging my responsibilities, I am advised by the UKEF Board, of which I am a member. The Board is led by a non-executive Chair to whom I report. Its membership consists of 3 executive directors (the Chief Executive, the Chief Risk Officer and the Chief Finance & Operating Officer) and 8 non-executive Board members including ex-officio representatives from the Department for International Trade, UKGI and the Export Guarantees Advisory Council. There is also an observer from HMT. Its terms of reference require there to be a majority of non-executive and ex-officio members.

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

The non-executive members are appointed by the Secretary of State through open competition based on relevant expertise and merit. They provide 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. During the summer of 2019 a Board effectiveness review was undertaken. Overall the review concluded that the Board and its committees operated effectively. It noted that the Board supported the executive with strategic thinking, that members challenge the executive, and that risk management was well organised within the organisation with credit risk management in particular reported to be strong and effective. The review suggested that the Board would benefit from a greater focus on strategic items at each Board meeting and from more information being provided on intra-governmental relationships. A report detailing findings and suggested improvements

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

was accepted by the Board and an action plan established for implementing key recommendations during 2019-20 and beyond.

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

Audit Committee

The Audit Committee annual report can be found on pages 126 to 127. The Committee Chair formally reports on the Committee's activities to the Board.

Risk Committee

The Risk Committee annual report can be found on pages 128 to 129. 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 decides on proposals from the Chief Executive relating to individual pay decisions as per the criteria outlined in guidance from the Cabinet Office about the remuneration of its Senior Civil Service (SCS) members. It also ensures that these recommendations 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. The Remuneration Committee also advise the board on the effectiveness of systems for identifying and developing leadership and high potential, scrutinising the incentive structure and succession planning for the Board and the senior leadership of the Department.

Executive Committee

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

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

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

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

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

A register of interests is kept up-to-date to identify any potential conflicts of interest involving 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 2019–20

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

- all instructions given to me by ministers were in accordance with the EIGA, the Consent and applicable international agreements
- UKEF met all its financial objectives
- UKEF suffered no material operational losses
- UKEF had no major security breaches, data thefts or losses
- I met ministers regularly to brief them on issues related to UKEF, and also briefed as necessary UKGI, HM Treasury and Department for International Trade officials so that they could provide informed advice to ministers if and when required
- the appropriate balance of non-executive directors and ex-officio members on the UKEF Board was maintained
- the Executive Committee met at least twice a month throughout the year
- the UKEF Board met 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

During Summer 2019, an externally facilitated evaluation of UKEF's internal executive committees (Executive Committee, Change Board, Security Committee and Credit Committee), along with the Export Guarantees Advisory Council, was conducted following a formal procurement process. It noted that committee Chairs were committed to developing good practice; that there was good debate and challenge during committee meetings; and that the committee members were open to review and to opportunities for improvement.

A report detailing findings and suggested improvements was accepted by Executive Committee and the Board and an action plan established for implementing key recommendations during 2019-20 and beyond.

Ministerial Directions

During 2019-20, there was one Ministerial Direction, on 15 April 2019, to increase UKEF's total risk capacity for Iraq by £1 billion to enable further priority projects to be supported in this country on UKEF's standard terms of underwriting. This uplift in the risk capacity of £1 billion falls outside of UKEF's established risk framework. Therefore, it was outside my authority to approve such a rise. UKEF's risk framework is agreed as part of the HMT Consent, and business conducted outside of this would be considered 'irregular' under the terms of Managing Public Money.

In such circumstances, ministers can use their judgement of what is in the national interest to instruct UKEF to increase risk capacity for specific countries outside its normal risk framework.

The Secretary of State for International Trade consulted ministerial colleagues, including the Chancellor of the Exchequer, who concluded that raising UKEF's risk capacity for Iraq by £1 billion would be in the national interest. As a result, HMT affirmed that business underwritten under this direction was considered 'regular', i.e. that it was within UKEF's powers under the EIGA and within the HMT Consent required under that Act. Accordingly, the Secretary of State for International Trade instructed me (with the consent of HMT) to increase UKEF's risk capacity by £1 billion, subject to a number of conditions. The direction confirmed that UKEF's established risk underwriting standards were to be employed when considering support for transactions within the additional £1 billion risk capacity. All Iraq business underwritten under Account 3 will be reported as such in future annual reports. As at the laying date of these accounts no business has been underwritten under this direction.

UKEF has written to the Comptroller and Auditor General (C&AG) about this Ministerial Direction 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 the increase to UKEF's Iraq country limit.



The UKEF Board

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	4/5*	4/4*	2/2
Shalini Khemka	Non-executive Board member	6/8	2/4**	-	2/2
John Mahon	Ex-officio Board member, Department for International Trade	5/8	-	-	-
Justin Manson (to 30 June 2019)	Ex-officio Board member, UK Government Investments	3/3	3/3	1/1	1/1
Amin Mawji (to 30 June 2019)	Non-executive Board member and Chair of Audit Committee	3/3	3/3	-	1/1
Madelaine McTernan (from 1 July 2019)	Ex-officio Board member, UK Government Investments	5/5	2/2	3/3	1/1
Samir Parkash	Executive Board member	7/8	5/5*	4/4*	-
Oliver Peterken	Non-executive Board member and Chair of Risk Committee	8/8	5/5	4/4	2/2
Louis Taylor	Executive Board member	8/8	4/5*	4/4*	2/2*
Lawrence Weiss (Chair of Audit Committee from 1 June 2019)	Non-executive Board member and Chair of Audit Committee	7/8	5/5	4/4	2/2
Kim Wiehl	Non-executive Board member	7/8	1/1***	2/2	1/2

* Not a member of the committee but attends its meetings

** Stood down from the Audit Committee on 1 January 2020

*** Joined the Audit Committee in January 2020

Environmental Audit Committee inquiry into UKEF

Following the conclusion of the Environmental Audit Committee (EAC) inquiry into UKEF support for fossil fuels last year in which the Minister of State for Trade and Export Promotion, the Chair of the EGAC and I gave evidence, the Secretary of State provided the EAC with the Government's response which signalled that UKEF will continue to consider what further action it takes in respect of climate change as it develops its support for exporters in future.

Work is now underway to implement the recommendations of the Task Force on Climate-related Finance Disclosures (TCFD), as we committed to doing in the Government's Green Finance Strategy published in July 2019. The Department is also carrying out significant analysis and will implement further risk assessment as needed to ensure that it

gives climate change due consideration across the full range of its schemes. As a result, I am assured that when providing support, UKEF will take account of climate change impacts proportionately and appropriately relative to its statutory mandate to support exports and its public law duties.

UKEF has further bolstered the Export Guarantee Advisory Council's (EGAC) climate change expertise through recruiting 2 additional members of the Council. This will assist EGAC in playing an active role in advising UKEF as it develops its strategy on climate-related risks and opportunities. The Chair of EGAC has been appointed to the UKEF Board as an ex-officio Member, adding expertise in environmental, climate change and social and human rights matters.

In the Government's response to the EAC, UKEF committed to developing the breadth of its ability to support the renewable energy, clean growth and climate resilience sectors. These areas continue to be a significant focus of UKEF's marketing and origination activities, with a view to increasing the proportion of business supported in these sectors. In recent months, UKEF has agreed £230 million in support for a large-scale offshore wind project in Taiwan – that will contribute significantly to Taiwan's target of generating 20% of its power from renewable sources by 2025 – and a guarantee worth £47.6 million for Solarcentury to build 2 of the largest solar plants in Spain. UKEF has a number of other renewables projects at an advanced stage in its business pipeline.

UKEF has also continued to engage in international forums in relation to the multilateral climate change agenda. Following consultation, a fourth version of the Equator Principles was adopted in November 2019, which UKEF took an active role in pushing forward as a member of the Equator Principles Steering Committee. It includes a requirement to undertake a Climate Change Risk Assessment as part of the due diligence process for all high-emitting projects which fall within the scope of the Equator Principles.

In light of the government's commitment to achieving a target of net-zero UK carbon emissions by 2050 and to our obligations under the Paris Agreement; and the announcement made by the Prime Minister at the Africa Investment Summit that the government will no longer provide any new direct official development assistance, investment, export credit or trade promotion support for coal-fired power plants or thermal coal mines overseas; UKEF is working with other government departments to develop a cross-government position on HMG's international support for the energy sector in view of the UK's domestic climate change commitments and the global energy transition.

Third-party delivery partners

UKEF works with a network of partners, including commercial finance lenders, commercial insurance brokers, other export credit agencies, other government departments, industry bodies and intermediaries. More information about our partners and operations can be found on pages 54 to 57.

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 approach to risk management is described in detail in the Chief Risk Officer's report on pages 58 to 85.

During 2019/20 the Executive Committee and the Board approved a new Enterprise Risk Management (ERM) framework, that provides senior management with a consistent structure and documented approach to identifying, assessing, evaluating and reporting known and emerging risks across UKEF. The framework fosters continuous monitoring, promotes good risk awareness across the organisation and encourages sound operational and strategic decision making.

Risk culture

A strong culture of risk awareness is central to good risk management, starting with the 'tone from the top'. Senior leaders within UKEF are key influencers in inculcating the high standards of behaviour and conduct expected in all our teams. To ensure that the Board is kept apprised of UKEF's principal risks and the effectiveness of UKEF's risk management, it receives a monthly report from the Chief Risk Officer covering credit, enterprise and strategic risks. The Board also participated in a horizon scanning exercise during a strategy away-day to assist in identifying emerging risks, threats and trends. Our risk culture is reinforced by the Civil Service Code and its core values of integrity, honesty, objectivity and impartiality. It forms part of our decision-making process for strategy setting, business planning, product governance, change management, customer service, resourcing and third-party suppliers and partners.

3 lines of defence

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

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

Strategic risk

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

The strategic risk register is reviewed and updated by the Executive Committee and by the Risk Committee acting on behalf of the Board. The register captures risks that may arise across any combination of our 8 enterprise risk categories (as detailed in page 62 of the Chief Risk Officer's Report) within the enterprise risk framework and which have the potential to affect the Department's financial performance, reputation or delivery of our Business Plan.

An example of some of the strategic risks managed by UKEF Executive Committee together with the mitigating action is described in the table below.

Strategic risk	Enterprise risk category	Mitigating action
Recruitment and retention of staff	Operational	Cross-skilling, up to date policies and procedures, promotion of the benefits of working in the Civil Service
Long term changes to oil prices	Financial	Ongoing independent monitoring and portfolio stress testing performed
Global pandemic	Strategic	Scenario analysis of the portfolio undertaken with robust, tested business continuity plans in place

Operational risk

Operational risk management (ORM) is an integral part of the Enterprise Risk Framework. Effective management of operational risk is central to achieving our strategic aim of ensuring no viable UK export fails for lack of finance or insurance. UKEF's operational risk policy and processes provide a consistent guide for the development and application of a pan-UKEF integrated approach to ORM. This in turn enables staff to make informed decisions based on a sound understanding of our risks, and gives UKEF an auditable process trail for its conduct of business.

UKEF's approach to ORM is designed to:

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

UKEF's operational risks primarily arise from our business-as-usual activities. These risks typically involve the possibility of error or oversight leading to a financial loss (other than as a result of properly managed exposure to credit risk), a failure to properly discharge our obligations, or controls not being designed and/or applied appropriately. Examples of such failures could include:

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

Enterprise Risk actively works with the other second and third line assurance functions and all Heads of Division across UKEF to reinforce ownership and accountability for risk management, and to ensure the appropriate design, implementation and monitoring of controls is undertaken. Risk is considered in significant strategic decisions by Executive

Committee and the Board, in major new projects by Change Board and Executive Committee, and in other prioritisation and resource allocation commitments throughout the business.

UKEF will continue to further develop its second line of defence capability in 2020-21. A key deliverable will be the introduction of a programme of assurance testing to provide senior management with assurance that that key controls are operating effectively and in accordance with defined procedures.

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. During 2019-20 UKEF strengthened its approach to managing operational risk. This has included a revised risk and control assessment process for each division within UKEF, and introducing a bi-annual control environment attestation by all Executive Committee members to me. This has given us a more robust understanding of our risk and control environment.

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 assessment process, 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 guarantee that it will never support such a transaction (UKEF is not an investigatory authority with the powers necessary to detect crime). It is committed, however, to having in place and operating reasonable and proportionate processes, systems and controls to mitigate the risk of supporting such transactions. UKEF's Compliance Division is responsible for ensuring that these risks are identified and appropriately managed, and reports to the Director of Legal and Compliance.

In 2019-20, Compliance Division, Legal Division, Business Group and others worked to embed a greater understanding of the evolving nature of UKEF's financial crime risks. A risk appetite statement, agreed by the Board, is being used for assessing the appropriate and proportionate due diligence work to be completed in relation to parties and their transactions to help design reasonable and proportionate due diligence controls and processes to assess the financial crime risks relating to parties and transactions that we support. Processes and procedures have continued to develop in support of the strengthened compliance function, and a specialist new unit has been established to undertake more independent due diligence on transactions and parties. This work is iterative, and the framework and associated controls, systems and management information is expected to evolve further during the next year. The Board has been closely involved in this transition.

Training on issues related to financial crime has been provided to all staff as part of UKEF's commitment to instill a strong culture of compliance in the front line.

The level of 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 and 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.

Some UKEF customers and transactions remain challenging from a Compliance perspective, either as a result of ongoing law enforcement investigations or as a result of issues that have been brought to light by UKEF's own due diligence. UKEF is dealing with such customers with appropriate rigour and is applying enhanced and proportionate due diligence processes designed to ensure that the risk of supporting a transaction tainted by financial crime is appropriately managed.

Airbus Deferred Prosecution Agreement

In January 2020 the SFO and authorities in France and the United States entered into deferred prosecution agreements (DPA) and other forms of settlement with Airbus following an investigation into corrupt business practices. The DPAs cover a range of jurisdictions and cover commercial, defence and space divisions.

Following this extensive enquiry, in accordance with court judgements and following UKEF's own due diligence into the company's reform process, I am satisfied that significant and meaningful reform has taken place in the company since the events referred to in the DPAs.

UKEF support for future Airbus transactions will continue to be subject to an enhanced due diligence framework for an extended period.

Cyber security & information risks

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

During 2019-20 UKEF adopted a new security framework. The framework provided an overview of our approach to ensuring the information assurance of our people, processes and technology. The framework includes a description of the pan-government security environment, overarching principles, and a commentary on UKEF's approach to the mandatory security outcomes set out by the Cabinet Secretary.

To enhance the Department's cyber security capability a dedicated protective monitoring role has been created to identify vulnerabilities and threats to our IT infrastructure.

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

The Government Security Group undertakes an annual “Department Security Health Check”. In February 2020 UKEF was assessed as having exceeded the standards on all 4 technical areas (cyber, personnel, physical and incident management). This has been independently assessed and verified by an external NCSC cyber security professional organisation.

UKEF has an Information Management Framework which provides a high-level view of the Department’s information management structure and direction for information management practice, as well as roles and responsibilities for managing information. The Department has a Data Protection Policy which sets out what UKEF is required to do to ensure that all staff who process personal data do so in accordance with the General Data Protection Regulation.

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

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

Business Continuity Plan

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

Preparation for COVID-19

As the COVID-19 outbreak began to spread, the department accelerated elements of business continuity planning including:

- extensive communications with staff, line managers and Heads of Division
- staff testing their readiness to work from home, including their ability to access all systems and run all processes
- a number of processes (invoicing, payment of expenses) were re-worked to allow them to be run remotely
- IT operations colleagues conducted tests of UKEF’s Virtual Private Network (VPN) and Firewall to assess their ability to manage a significant increase in remote traffic (i.e. the entire Department working remotely)

As a result, all of UKEF’s staff are technically able to work remotely with all systems and processes are functioning as expected.

Internal audit

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

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

The Audit Committee, acting on behalf of the Board, approves the internal audit charter. Based on IAAD's continued engagement throughout 2019-20, 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, strengthened second line of defence, improved data and records management, and the implementation of a standard framework for the ownership and management of the department's policies.

I meet regularly with the Head of Internal Audit. The Head of Internal Audit also has regular direct communication with 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, one of the expert services for the Civil Service. This was last updated in March 2018.

No disclosures were made under the policy in 2019-20.

Significant risks and mitigating measures

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.

I am grateful to our Internal Audit team for identifying that, despite recent initiatives, we still do not have a fully comprehensive framework in place for documenting the ownership and management of the Department's policies. Work is now well-advanced in developing and implementing a policy management and ownership framework.

Data and records management

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

However, more work is required to ensure that we can provide timely and error-free information for a multitude of uses across the organisation.

Members of the Executive Committee are currently overseeing a long-term organisation-wide strategic solution to effectively manage and mitigate the risks relating to data and records management.

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.

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

Louis Taylor
Chief Executive and Accounting Officer
19 June 2020

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 UKEF's 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.

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

Louis Taylor
Chief Executive and Accounting Officer
19 June 2020

Audit Committee report

The Audit Committee report should be read in conjunction with the Governance Statement which can be found on pages 108 to 123.

UK Export Finance's Audit Committee Terms of Reference require the Committee to consist of at least 3 non-executive Board members or other independent representatives agreed by the UKEF Board.

Currently, I preside as Chair, alongside Oliver Peterken and Kimberley Wiehl, and all of us meet the relevant requirements for independence to serve on this committee. Madelaine McTernan is also a member, representing UK Government Investments (UKGI) on behalf of the Secretary of State for International Trade. At the end of June 2019, Amin Mawji stepped down as Chair of the Committee and Justin Manson stepped down as a member. At the end of 2019, Shalini Khemka also stepped down as member of the Committee.

Although not members of the Audit Committee, the 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, so as to facilitate open and frank discussion of particular matters. The Chair of the UK Export Finance Board regularly participates in Audit Committee meetings as an observer.

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

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

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



Lawrence Weiss
Chair, Audit
Committee

Key tasks and responsibilities

In general, the Audit Committee:

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

Activities this year

During 2019-20, the following topics were discussed:

- post-balance sheet events
- how accounting standards are set in Government and the role of HM Treasury
- planning for the change from LIBOR to risk-free-rates
- the Digital Trade Finance Service
- operational risk
- 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, financial reporting changes, the deferment of the application of IFRS 9 and 17
- UKEF's incident reporting, and the year-end Control Environment Certification process from Heads of Department

The Audit Committee meets at least 4 times in each year. In 2019-20 it met 5 times.

Lawrence Weiss
Chair, Audit Committee
19 June 2020

Risk Committee report

The Risk Committee report should be read in conjunction with the Governance Statement which can be found on pages 108 to 123.

UK Export Finance's Risk Committee Terms of Reference require the Committee to be made up of at least 3 non-executive Board members or other independent representatives agreed by the UKEF Board.

Currently, I preside as Chair alongside Lawrence Weiss and Kimberley Wiehl, and all of us meet the relevant requirements for independence to serve on this committee. Madelaine McTernan is also a member, representing UK Government Investments (UKGI). Madelaine replaced Justin Manson, who stepped down from the Risk Committee at the end of June 2019.

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 one member of the Risk Committee will also be a member of the Audit Committee to help facilitate coordination between the committees.

Key tasks and responsibilities

In general, the Risk Committee:

- examines and reviews any material changes to UKEF's key strategic, operational, compliance, credit, country and reputational risks and considers the adequacy of the arrangements for effective risk management and control
- considers the completeness of the risk profile presented and identifies and evaluates 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



Oliver Peterken
Chair, Risk
Committee

Activities this year:

During 2019-20, the following topics were discussed:

- the review of the exposure management framework
- risk governance improvements
- enterprise, operational and strategic risks
- a new operational risk framework
- stress testing and reverse stress testing
- active portfolio management
- the process of new product approval
- UKEF's financial institution risk exposure
- management of reinsurer credit risks
- early warning indicators

The Risk Committee meets at least 4 times in each year. In 2019-20 it met 4 times.

Oliver Peterken
Chair, Risk Committee
19 June 2020



To celebrate our 100 year anniversary, we held a number of events for our customers, stakeholders and staff. Through them, as well as through fundraising for sporting feats, UKEF staff raised almost £20,000 for our partner charity Centrepont.



UK Export Finance
100 Years
in partnership with
NORTON ROSE FULBRIGHT
City of London
UK Export Finance
100 Years

Our people: staff and remuneration report

Our strong business performance this year would not have been possible without the continued commitment of our staff, who combine commercial focus and deep technical expertise with a strong public service ethos. Through their work, they support the prosperity of companies and communities across the UK. But when the story of 2019-20 is recalled in years to come, it will be remembered for the final months of the financial year, when the COVID-19 pandemic caused devastating social and economic disruption.

The manner in which our staff responded is a source of great personal pride to my colleagues and I on our Executive Committee. Preparations started well before the pandemic with quarterly Incident Management Team sessions throughout 2019 where various business disruption scenarios were role played. Business continuity plans were continuously updated, IT systems tested, and tools put in place to support remote working.

In March 2020 the entire workforce transitioned to home working at short notice with minimal disruption to our business activities. That our staff did this whilst balancing their own health concerns, caring responsibilities, and even bereavements, is a testament to their dedication and commitment. Our people represent the very best of what the Civil Service has to offer.

In 2019-20, UKEF's headcount reached a 10-year high, evidence of the growing demand for UKEF's products and services. Our ambition is to expand the workforce further during 2020-21 as we head towards 400 UK-based staff.

We continue to embed our delivery model, which has seen a significant investment in business development functions. That has been a factor in the organisation delivering another strong financial performance and building a pipeline of business for the years ahead.

We increased our overseas network of export finance specialists to 10 markets during 2019-20 with new hires completed in India, Mexico and Kenya. The network is projected to double in size during 2020-21, subject to COVID-19 restrictions, with target markets including Egypt, Morocco, USA, South Africa, China, Colombia, Qatar and Indonesia.

The increase in headcount during 2019-20 had a significant impact on teams that provide support through the employee lifecycle. Resourcing activity remained high, with 121 campaigns completed. We exceeded our aspiration that each staff member completes 5 days of development per year for the second year running with the average being 5.2 days. Given the increase in the size of the workforce, this equated to an increase of 11.2% of training hours delivered.



Shane Lynch
Resources Director

We significantly enhanced our cyber and personnel capabilities, improving our ability to protect both our staff and our assets. This work has been done in conjunction with partners across government, and we will continue to work collaboratively to ensure the highest standards are maintained.

Diversity and inclusion remain a priority, we are very proud that with 30.9% of staff identifying as being from Black, Asian and minority ethnic (BAME) groups, we are the most ethnically diverse ministerial department in government. For the third year running, we have seen a fall in our gender pay gap, but we recognise that there is more to do in this area and improving the female representation of our workforce will be a key priority in 2020-21.

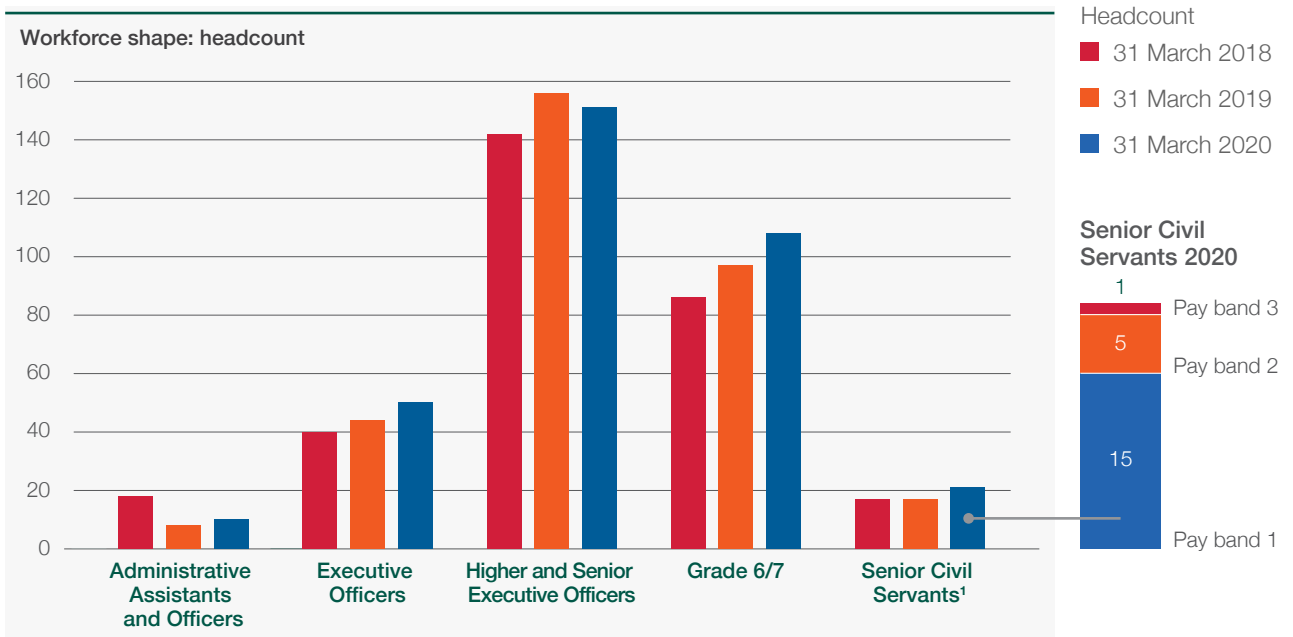
Our ambition is to have the most engaged workforce in the Civil Service, and we achieved our second-highest ever staff engagement score of 64% in the annual Civil Service People Survey, an impressive achievement considering it was against a backdrop of a very challenging workload as the business ran at close to full capacity.

As part of our centenary celebrations, UKEF partnered with Centrepoin, a homelessness charity supporting vulnerable young people, and staff supported a range of fundraising events including the 100 mile RideLondon cycle, a sleep-out at the Olympic Park, scavenger hunts and talent competitions, raising almost £20,000 in the process.

Looking ahead, we launched our new People Strategy in April 2020 and have ambitious growth plans which will further enhance our ability to support our customers and drive UK exports forward in what we hope are better days ahead.

Workforce snapshot

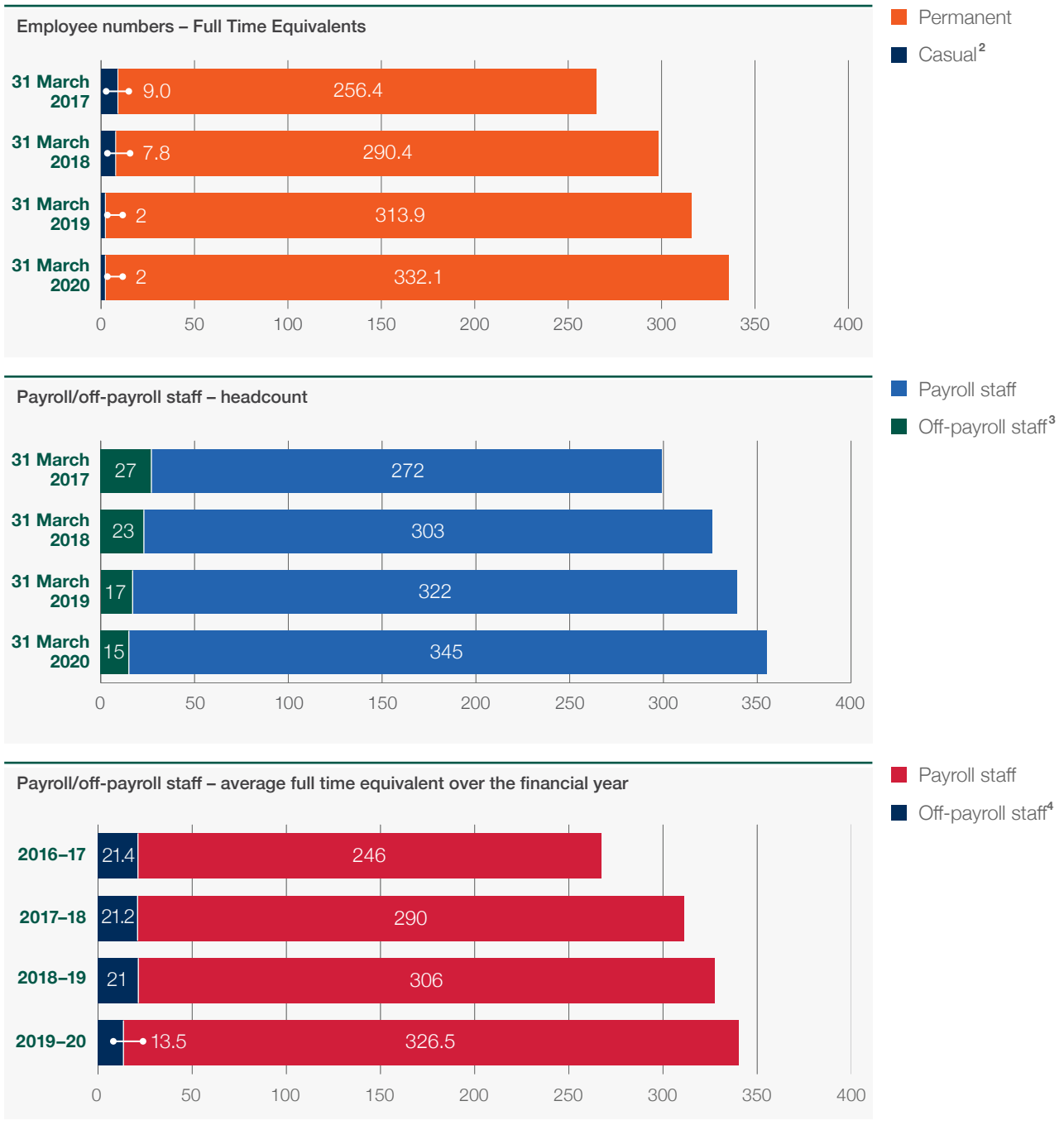
As of 31 March 2020, the directly employed workforce stood at 340 (334.1 FTE). This represents an increase of 5.6% over the previous 12 months and 39.3% over the last 4 years. A strong performance from the UKEF recruitment team has seen vacancy levels fall to their lowest rate in a decade and the department is close to its maximum budgeted headcount.



¹ 21 Senior Civil Servants as at 31 March 2020: SCS3: 1; SCS2: 5; SCS1: 15.

UKEF's total staff costs for 2019-20 were £24.461 million (2018-19 £21.438 million) as detailed in Notes 7 and 8 to the accounts; of which £24.087 million relates to staff with a permanent contract and £0.374 million relates to staff on other contracts. The employment costs relating to UKEF's ministers and special advisers are disclosed in the Department of International Trade's Annual Report and Accounts.

A further 14 off-payroll staff were engaged on average per month, predominately supporting our IT and Transformation, Change & Innovation teams. In 2015 we were set the ambitious target of reducing our contingent labour spend by 50% over the 4-year life of our financial settlement: that target was delivered during 2019-20 with expenditure falling by 55% from £3.6 million to under £1.6 million.



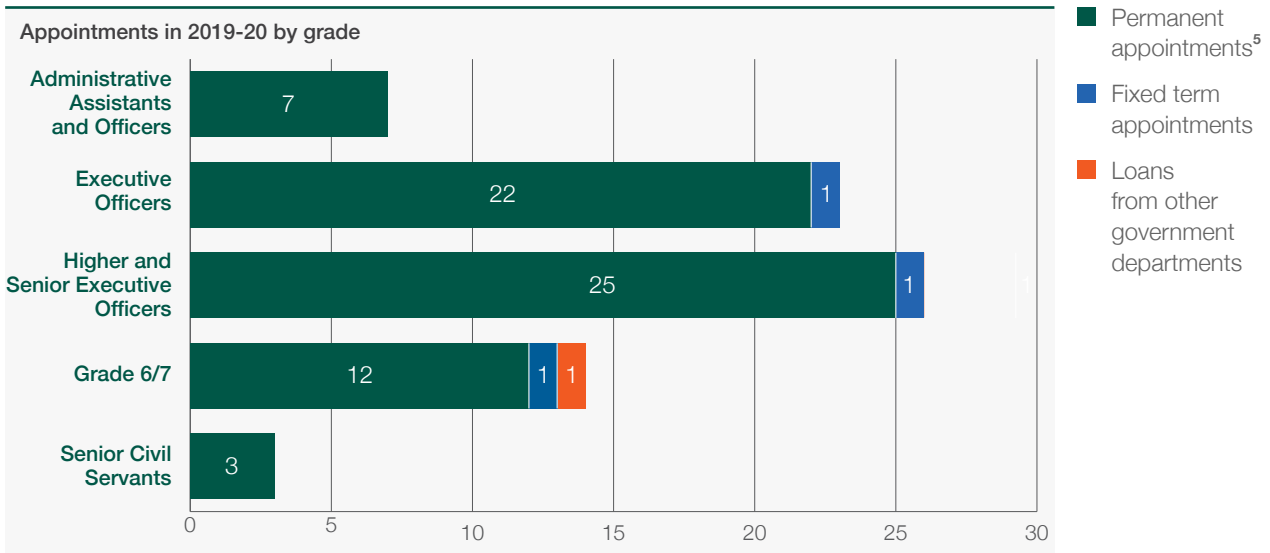
2 Casual refers to those employees engaged on a fixed-term appointment of less than 12 months.
 3 Non-payroll staff encompasses consultants and contingent labour i.e. interim managers, specialist contractors and agency staff.
 4 Non-payroll staff encompasses consultants and contingent labour i.e. interim managers, specialist contractors and agency staff.

Recruitment

The recruitment market remained relatively challenging during 2019-20. The total number of recruitment campaigns delivered in 2019-20 was 121 which resulted in 73 new joiners to UKEF and a further 48 internal moves where employees benefited from either promotion or lateral career development. Over 46% of our hires came from the private sector, reflecting the uniquely commercial nature of UKEF's work within the Civil Service. A further 40% of vacancies were filled by UKEF staff promotions, a testament to the talent available within the department, and our ability to offer career progression to staff.

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

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



⁵ This includes permanent transfers from other Government Departments.

Diversity & Inclusion

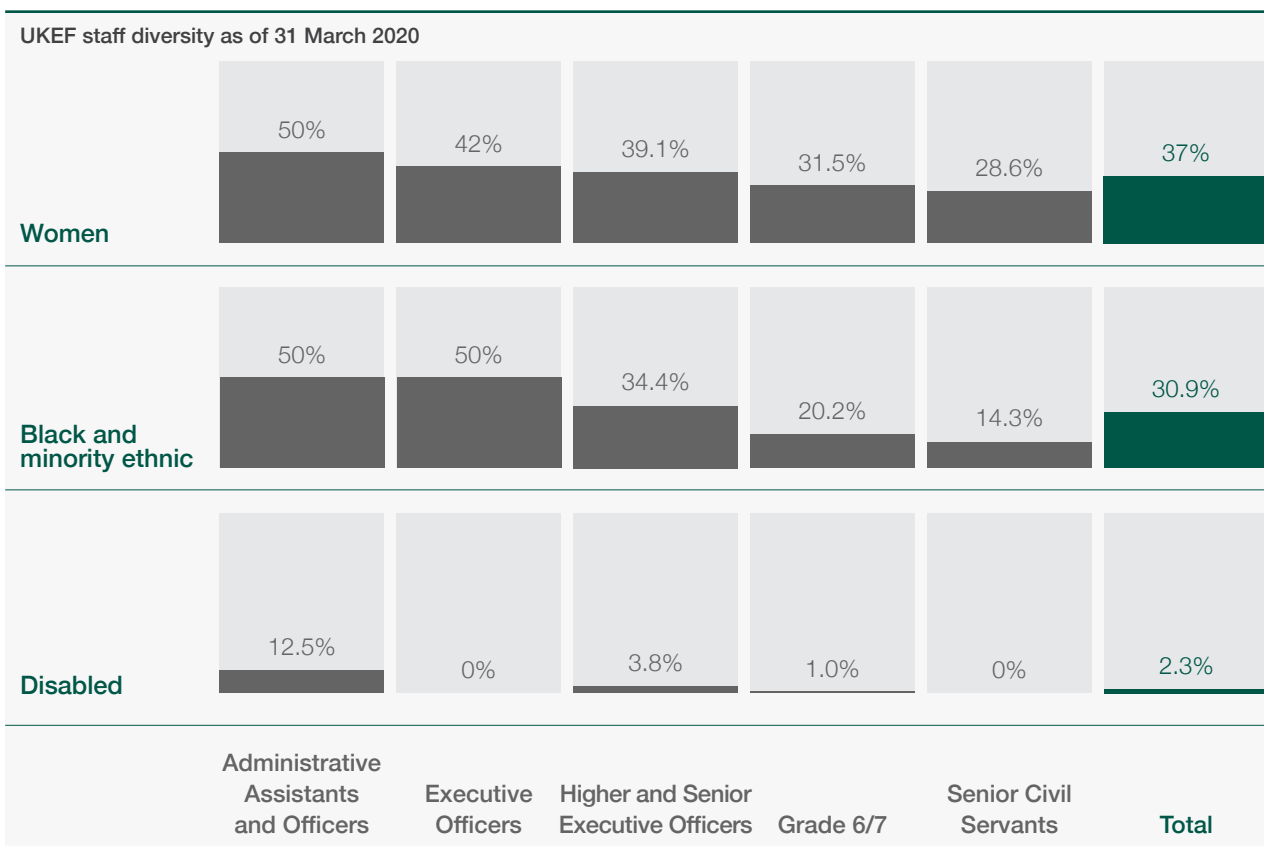
The Civil Service Diversity & Inclusion Strategy was launched in November 2017 and sets out an aspiration that the Civil Service become the most inclusive employer in the UK. We share this ambition and want to ensure that we are supporting all our employees to realise their full potential. We strive to create an environment that is inclusive while valuing and embracing diversity, building a great place to work. During 2019-20 we were part of the inaugural pan Civil Service Inclusion Survey and had the highest response rate of any department and achieved a top quartile score for our inclusivity.

Our current workforce is the most diverse on ethnicity in our recent history. UKEF is now leading the way amongst government departments with 30.9% of staff identifying as being from BAME groups, compared to 12.7% for the wider Civil Service. 37.0% of our staff are female and we recognise that this is an area for improvement.

Our recruitment process is a key enabler for a more diverse workforce. The selection process is anonymised to protect against bias, and we offer a guaranteed interview scheme to disabled applicants. All UKEF staff are required to complete training on diversity, inclusion and unconscious bias.

We also reduced both our mean and median gender pay gaps for the third year in succession, but recognise that there is significant room for improvement. Increasing the proportion of female hires, particularly in senior roles, remains a priority area of work.

Our staff have an essential role to play in creating an inclusive working environment and 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 the 2017-20 Business Plan, we focussed our efforts on the department's 5 agreed learning and development priorities:

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

We also continue to develop technical training programmes to develop skills that are unique within government to UKEF, including legal awareness, compliance, underwriting, credit risk analysis and project financing.

During 2019-20 the average number of days spent on formal learning and development activities per employee was 5.2 days (5.1 days in 2018-19) with a total of 12,484 hours of learning delivered, up 11% from 11,227 hours in 2018-19. The average spend per head was £1,143 (£981 in 2018-19).

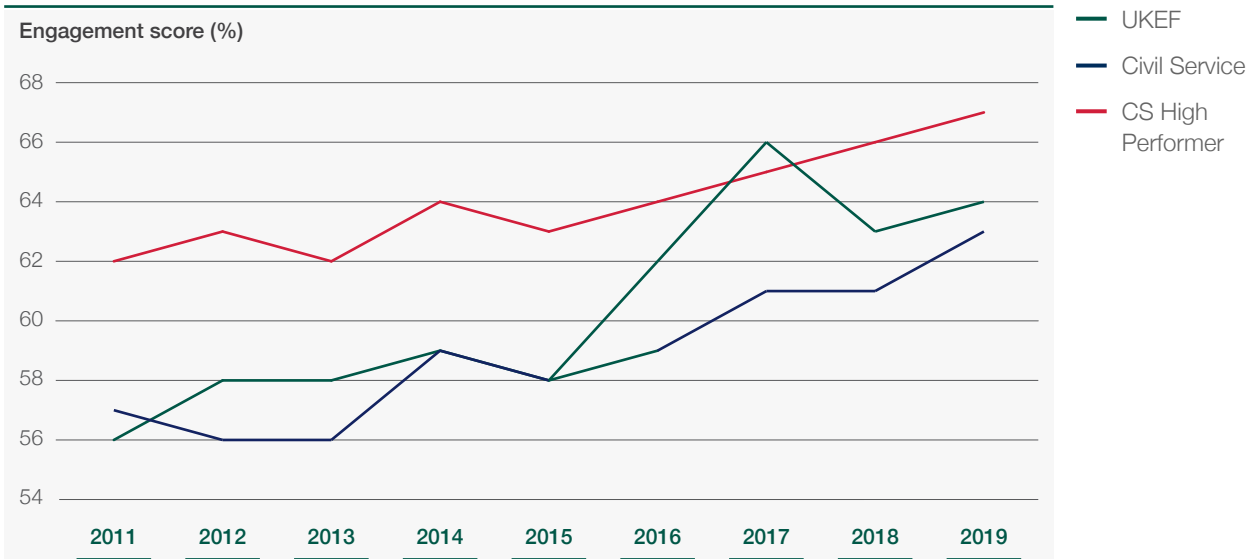
This year's figures represent an excellent performance by our Learning & Development team and demonstrate UKEF's commitment to creating a strong learning culture where all staff have the opportunity to develop their experience, skills and knowledge.

Engagement

We achieved our second highest ever staff engagement score of 64% in the annual Civil Service People Survey.

UKEF's score for "Organisational objectives and purpose" was 92%, which was the highest in the 11-year history of the survey and in the top 5% of the Civil Service. We also achieved strong increases under "Leadership and Managing Change" and our highest ever score for "Learning & Development".

Our ambition continues to be a high performing government department and we will use the feedback from this year's survey to further improve our performance.



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 4.3 days in 2019-20. This is below the ONS reported average for the public sector (5.6 days).

	31 March 2020	31 March 2019	31 March 2018
Average working days lost	4.3	2.98	3.50
% staff with no sickness absence	58.4%	55.7%	52%

Trade union facility time

Our recognised trade union is the Public and Commercial Services Union (PCS). Union representatives meet 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 an estimated 185 hours of facility time between 4 staff, with an estimated cost of £5,411 during 2019-20. This equates to each of the four trade union officials spending 2% of their working hours on facility time, and time spent on paid trade union activities as a percentage of total paid facility time hours is estimated to be 100%.

Reward and recognition

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

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

Departments 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 2019-20 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 234 awards to employees through this scheme in 2019-20.

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 of 31 March 2020, the membership was:

- **Noël Harwerth**, non-executive Chair
- **Lawrence M. Weiss**, non-executive Board member
- **Oliver Peterken**, non-executive Board member
- **Shalini Khemka**, non-executive Board member
- **Kimberley Wiehl**, non-executive Board member
- **Madelaine McTernan**, ex-officio Board member

Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, the Director of Resources and the Head of Resourcing and Reward 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 ⁶ £'000		Total £'000	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
Louis Taylor Chief Executive	250-255	250-255	30-35	10-15	n/a	24	280-285	285-290
Cameron Fox Chief Finance & Operating Officer	135-140	135-140	0	0	54	64	190-195	195-200
Samir Parkash Chief Risk Officer <i>Start 14/06/2018</i>	195-200	155-160 (195-200 FTE)	0	0	n/a	n/a	195-200	155-160 (195-200 FTE)

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 2019-20 relate to performance in 2018-19.

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

⁶ The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20 less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

Pay multiples

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

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

	2019-20	2018-19
Band of highest paid director's remuneration ⁷ (£000)	280-285	265-270
Median total ⁸ (£)	43,604	41,283
Remuneration ratio ⁹	6.5	6.5

In both 2019-20 and the previous year, no employees received remuneration in excess of the highest paid director. Employee remuneration ranged from £22,938 - £285,000 (2018-19, £22,448-£265,000).

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

⁷ The banded, full time equivalent, annualised of the highest paid director as at 31 March 2020.

⁸ The median, full time equivalent total remuneration of the staff, excluding the highest paid director as at 31 March 2020.

⁹ The pay multiple (ratio) between the highest paid director and all other staff.

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 one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

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

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

Pension benefits ¹⁰	Accrued pension at pension age as at 31/3/20 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2020	CETV at 31 March 2019	Real increase in CETV	Employer contribution to partnership pension account
Officials	£'000	£'000	£'000	£'000	£'000	Nearest £100
Louis Taylor Chief Executive	0	0	0	639	0	37,600
Cameron Fox Chief Finance & Operating Officer	16	3	178	137	25	0
Samir Parkash Chief Risk Officer	0	0	0	0	0	29,400

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.

¹⁰ Louis Taylor and Samir Parkash chose not to be covered by the Civil Service pension arrangements during the reporting year.

Cash equivalent transfer values

A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued due to their total membership of the pension scheme, not just their service in the senior capacity to which the disclosure requirement applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member because they have bought additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from lifetime allowance tax which may be due when pension benefits are taken.

Real increase in CETV

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

Staff pension costs

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as “alpha” – are unfunded multi-employer defined benefit schemes but UK Export Finance 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.civilservice.gov.uk/pensions

For 2019-20, employers' contributions of £4,078,546 were payable to the PCSPS and CSOPS (2018-19 £2,974,808) at 1 of 4 rates in the range 26.6% to 30.3% of pensionable pay, based on salary bands.

The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation and rates were increased for the 2019-20 year. The contribution rates are set to meet the cost of the benefits accruing during 2019-20 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 £249,694 (2018-19: £187,258) were paid to a single provider, Legal & General. Employer contributions are age-related and range from 8% to 14.75% of pensionable pay. The employer also matches employees' contributions of up to 3% of pensionable pay. In addition, employer contributions of £8,972 (2018-19: £6,547), 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 a fee for their attendance at UKEF Board, Audit Committee, Risk Committee, Remuneration Committee and other ad hoc meetings, and the performance of other duties as required. They are also paid travel and subsistence expenses.

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 2019-20 £000	Fees for 2018-19 £000
Noël Harwerth Chair of UKEF Board Member of Remuneration Committee	45-50	45-50
Lawrence M. Weiss Member of UKEF Board Member of Risk and Remuneration Committees, Chair of Audit Committee	15-20	10-15
Amin Mawji OBE Member of UKEF Board Chair of Audit Committee Member of Remuneration Committee <i>left 30 June 2019</i>	5-10	15-20
Kimberley Wiehl Member of UKEF Board Member of Audit, Risk and Remuneration Committees	10-15	5-10 (10-15 FTE)
Oliver Peterken Member of UKEF Board Chair of Risk Committee Member of Audit and Remuneration Committee	15-20	15-20
Shalini Khemka Member of UKEF Board Member of Audit Committee	10-15	10-15

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

Off-payroll engagements

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

The tables below provide information on those off-payroll engagements paid more than £245 per day during 2019-20.

Off payroll engagements that had lasted longer than 6 months as at 31 March 2020

Number of existing engagements at 31 March 2020	6
of which, had existed for	
less than 1 year	1
between 1 and 2 years	0
between 2 and 3 years	1
between 3 and 4 years	2
4 years or more at the time of reporting	2
Total	6

Tax assurance for new off-payroll engagements

Number of new engagements, plus those that reached six months duration, between 1 April 2019 and 31 March 2020	7
Declared Inside IR35	0
Outside IR35	7
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.	14

Cost of off-payroll engagements

The total cost for 2019-20 including engagements of individuals whose daily cost was less than £245 per day was £1,484,188 (2018-19: £2,101,721).

Expenditure on consultancy

Total expenditure on consultancy in 2019-20 amounted to £1,140,281 (2018-19, £543,583).

Over the course of 2019-20 UKEF undertook a number of planning and change activities which benefited from the support of external consultancy, this included work on UKEF's Target Operating Model (TOM) and Financial Crimes Compliance. These activities increased the consultancy spend in 2019-20.

Compensation for loss of office

No members of staff left under voluntary exit terms during 2019-20.

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

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
	2019-20			2018-19		
<£10,000	-	-	-	-	1	1
£10,000 - £25,000	-	-	-	-	2	2
£25,000 - £50,000	-	-	-	-	1	1
£50,000 - £100,000	-	-	-	-	-	-
£100,000 - £150,000	-	-	-	-	-	-
£150,000 - £200,000	-	-	-	-	-	-
Total no. of exit packages	-	-	-	-	4	4
Total cost /£k	0	0	0	-	69	69

Ill health retirement costs are met by the pension scheme and are not included in the table above. During 2019-20 no individuals retired early on ill-health grounds (2018-19: 0); the total additional accrued pension liabilities in the year amounted to £0 for 2019-20 (2018-19: £0).

Parliamentary Accountability and Audit

Statement of Parliamentary Supply

For the year ended 31 March 2020

The Government Financial Reporting Manual (FRm) 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.



Vikoma received over £300,000 of UKEF support to help contain and clean-up oil spills in marine and industrial centres around the world

Summary of Resource and Capital Outturn 2019-20

		Estimate			Outturn			2019-20	2018-19
		Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted outturn compared with Estimate: savings/(excess)	Outturn
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Departmental Expenditure Limit	Note								
- Resource	SOPS1(a)	916	-	916	911	-	911	5	1,288
- Capital	SOPS1(b)	300	-	300	135	-	135	165	79
Annually Managed Expenditure									
- Resource	SOPS1(a)	124,842	-	124,842	(217,744)	-	(217,744)	342,586	(128,993)
- Capital	SOPS1(b)	836,811	-	836,811	307,710	-	307,710	529,101	426,448
Total Budget		962,869	-	962,869	91,012	-	91,012	871,857	298,822
Total Resource		125,758	-	125,758	(216,833)	-	(216,833)	342,591	(127,705)
Total Capital		837,111	-	837,111	307,845	-	307,845	529,266	426,527
Total		962,869	-	962,869	91,012	-	91,012	871,857	298,822

Net cash requirement 2019-20

		2019-20		2019-20		2018-19
		Estimate	£'000	Outturn	Outturn compared with Estimate: savings/(excess)	Outturn
		£'000	£'000	£'000	£'000	£'000
Total	Note					
	SOPS2		558,434	(12,730)	571,164	(57,649)

Administration Costs 2019-20

		2019-20	2019-20	2018-19
		Estimate	Outturn	Outturn
		£'000	£'000	£'000
Total		(384)	(384)	-

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 160 to 201 form part of the Statement of Parliamentary Supply.

SoPS1 Analysis of net outturn by section

SoPS1(a) Resource

							2019-20		2018-19		
							Outturn	Estimate	Outturn	Outturn	Outturn
	Administration			Programme			Total	Total	compared with	compared with	Total
	Gross	Income	Net	Gross	Income	Net	Net	Net	Estimate: savings/ (excess)	Estimate, adjusted for virements	Net
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Voted spending in Departmental Expenditure Limit (DEL)											
A Export Credit Guarantees and Investments	39,374	(39,758)	(384)	1,995	(700)	1,295	911	916	5	5	1,288
Total	39,374	(39,758)	(384)	1,995	(700)	1,295	911	916	5	5	1,288
Voted spending in Annually Managed Expenditure (AME)											
B Export Credits	-	-	-	64,251	(199,263)	(135,012)	(135,012)	13,881	148,893	148,893	(74,420)
C Fixed Rate Export Finance Assistance	-	-	-	373	(640)	(267)	(267)	707	974	974	(290)
D Loans and interest equalisation	-	-	-	-	(493)	(493)	(493)	(478)	15	15	(799)
E Direct Lending	-	-	-	-	(81,972)	(81,972)	(81,972)	110,732	192,704	192,704	(53,484)
Total	-	-	-	64,624	(282,368)	(217,744)	(217,744)	124,842	342,586	342,586	(128,993)
Total Resource	39,374	(39,758)	(384)	66,619	(283,068)	(216,449)	(216,833)	125,758	342,591	342,591	(127,705)

Explanation of variances between Resource 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.

Typically, a net RDEL outturn of zero shows UKEF is covering its Administration costs from the premium that was written. In 2019-20, however, a small part of RDEL Administration budget, £384 thousand, was transferred

to DIT to cover UKEF share of the International Export Finance Executives (IEFE) network's running costs. IEFE network is jointly run with DIT with each party contributing 50% towards the running costs.

Although, initially IEFE budget stayed with UKEF, it subsequently transferred to DIT as part of the Supplementary Estimate 2019-20. This meant that UKEF's net RDEL Admin in 2019-20 became negative due to the previously agreed treatment of the departmental income used to offset the operating costs.

In 2019-20 UKEF received RDEL Programme budget of £2 million towards the GREAT Marketing campaign, of which £1.3 million came from DIT (in addition to UKEF RDEL settlement) and £0.7 million 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 £149 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.

E. Direct Lending £193 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

	2019-20					2018-19
	Outturn			Estimate	Net total compared with Estimate	Outturn
	Gross	Income	Net	Net		Net
	£'000	£'000	£'000	£'000	£'000	£'000
Voted spending in Departmental Expenditure Limit (DEL)						
A Export Credit Guarantees and Investments	135	-	135	300	165	79
Total	135	-	135	300	165	79
Voted spending in Annually Managed Expenditure (AME)						
D Loans and interest equalisation	-	(5,142)	(5,142)	(4,610)	532	(4,995)
E Direct Lending	383,651	(70,799)	312,852	841,421	528,569	431,443
Total	383,651	(75,941)	307,710	836,811	529,101	426,448
Total Capital	383,786	(75,941)	307,845	837,111	529,266	426,527

Explanation of variances between Capital Estimate and outturn:

E. Direct Lending £529 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	2019-20 Estimate £'000	2019-20 Outturn £'000	2019-20 Variance £'000
Resource Outturn	SOPS1(a)	125,758	(216,833)	342,591
Capital Outturn	SOPS1(b)	837,111	307,845	529,266
Accruals to cash adjustments:				
<i>Adjustments to remove non-cash items:</i>				
Depreciation & amortisation of Equipment and Intangible Assets		(430)	(310)	(120)
Net foreign exchange differences & other non cash items		(168,989)	97,214	(266,203)
New provisions and adjustments to previous provisions		(466,160)	(57,195)	(408,965)
<i>Adjustments to reflect movements in working balances:</i>				
Increase/(Decrease) in receivables		197,802	(45,942)	243,744
(Increase)/Decrease in payables		33,194	(97,518)	130,712
Use of provisions		148	9	139
Net cash requirement		558,434	(12,730)	571,164

Parliamentary Accountability Disclosures

These disclosures are subject to audit.

Other Parliamentary Accountability Disclosures

In 2019-20 UKEF has not made any special payments or gifts, and does not have any remote contingent liabilities.

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



Louis Taylor
Chief Executive and Accounting Officer
19 June 2020

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 2020 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 2020 and of the Department's net operating income for the year then ended
- 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. I also draw your attention to the disclosures made in Note 24 to the financial statements concerning the consequential impacts of COVID-19 on the world-wide economy which introduces further uncertainty.

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) and Note 24 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 2020 and shows that those totals have not been exceeded
- 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Export Credits Guarantee Department's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate
- the Export Credits Guarantee Department have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Export Credits Guarantee Department's ability to continue to adopt the going concern basis

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
- conclude on the appropriateness of the Export Credits Guarantee Department'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. If I conclude that a material uncertainty exists, I am required to draw attention in my 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 report. However, future events or conditions may cause Export Credits Guarantee Department to cease to continue as a going concern

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, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's 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 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
- 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
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns
- I have not received all of the information and explanations I require for my audit
- the Governance Statement does not reflect compliance with HM Treasury's guidance

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General
22 June 2020

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