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# **Department for International Development**

## **Overseas Superannuation Accounts 2019-20**

**(For the year ended 31 March 2020)**

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

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## **Section A: Accountability Report**

### **Report of the Managers**

#### **Introduction**

These Accounts are a schemes' statement for the payments of Overseas Superannuation Schemes. The financial statements have been prepared in accordance with the relevant provisions of the 2019-20 *Government Financial Reporting Manual* (FReM).

The Schemes were the responsibility of the Department for International Development (DFID). On 2 September 2020 DFID and the Foreign and Commonwealth Office merged into a new department called the Foreign, Commonwealth and Development Office (FCDO), led by the Secretary of State for Foreign, Commonwealth and Development Affairs, and responsibility for the Schemes, including these Accounts, transferred to the new department.

DFID's, now FCDO's, Overseas Pensions Department (OPD), on behalf of the Schemes, has responsibility for the administration and payment of pensions and related benefits to former expatriate colonial civil and public servants and their dependants, including those who served in a civil or military capacity in former British India and the Sudan public service. Other than HM Treasury, OPD are not reliant on any other UK Government Department in order to pay these pensions. OPD is also responsible for the formulation of the British Government's policy on overseas pensions and UK pension increase supplements.

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

The element of these pensions arising from service after independence, together with certain widows' pensions, derive from the capital sums which were paid over to the British Government on assuming responsibility from the overseas governments, or by funded pension schemes which have been wound up, to cover their future liabilities. The British Government meets the cost of the pre-independence element and the cost of those widows' and dependants' pensions that do not derive from a previously funded scheme. The UK Government does not hold any dedicated assets in respect of these pension obligations.

A further activity now reported in these Accounts is the pensions administered by Crown Agents Bank (CAB) on behalf of the UK Government for beneficiaries and former beneficiaries of the Gibraltar Social Insurance Fund (GSIF). The payment and reporting of these pensions were transferred from the DFID Annual Report and Accounts to the Overseas Superannuation Accounts from 1 April 2018.

All payments have been agreed under HM Treasury classification to be Annually Managed Expenditure (AME). AME is used to reflect costs which are volatile in a way that cannot be controlled by OPD.

The Minister with responsibility for Overseas Superannuation Schemes for the financial year ending 31 March 2020 was the Minister for International Development, Lord Bates to 23 April 2019, succeeded by Baroness Sugg between 24 April 2019 and 13 February 2020, then Lord Ahmad from 14 February 2020. The Schemes' Manager with responsibility for the operation of the Overseas Superannuation Schemes was the head of the Overseas Pensions Department (OPD) at DFID, Vince Kelly. Matthew Rycroft CBE was the DFID Permanent Secretary and Accounting Officer of the Schemes up to 22 March 2020, succeeded by Nick Dyer CB, the DFID Acting Permanent Secretary

and Interim Accounting Officer up to 1 September 2020. From 2 September 2020, Sir Philip Barton became the Permanent Under Secretary and Accounting Officer of the Schemes.

## Management Commentary

Pensions and related benefits included in these Accounts and administered by OPD are all paid in Sterling. All pensions are originally awarded in the currency of the country of service. All pensions are paid in sterling, most at a fixed rate of exchange, but some are paid at a current rate of exchange. The foreign exchange liability is limited by the supplement and/or safeguard caps. This is considered by the Government Actuary's Department in their actuarial valuation.

There are 103 pension Schemes reported in these accounts that are covered by the following Acts of Parliament:

- Overseas Pensions Act 1973
- Pensions (Increase) Act 1971, as amended
- Hong Kong (Overseas Public Servants) Act 1996
- UK Police and Firemen Acts 1997

## Change in Member Numbers

The Schemes managed directly by OPD are closed to new members and the number of pensioners falls each year. There are however 5 deferred police pensioners and 1 serving Hong Kong officer who will potentially become pensioners. Table 1 shows the number of pensioners, number of pensions payable and the total number of payments made under these pension obligations during the last three years. These figures are based on the actual position at 31 March each year. **Note**, the figures in Tables 1 to 4 and all the statistics relate only to pensions administered directly by OPD and do not include the pensions administered by CAB which are set out separately at Table 5.

<b>Table 1<sup>1</sup></b>	<b>2019-20</b>	<b>2018-19</b>	<b>2017-18</b>
No. of Service Pensioners	3,286	3,656	4,061
No. of Dependants	4,418	4,781	5,099
Total No. of Pensioners	7,704	8,437	9,160
Total No. of Pensions <sup>2</sup>	15,725	17,283	18,849
Total No. of Payments	74,542	82,024	90,267

Pensioners are often in receipt of more than one pension, reflecting their service in different territories covered by different individual pension Schemes, however each individual payment they receive will include an element for each relevant pension. The total number of payments cannot be directly related to the number of pensioners at a given time. A pensioner's entitlement can be negated in any payment period due to exchange rate movements<sup>3</sup>, periodic suspensions and death.

<sup>1</sup> The data in Table 1 is not directly comparable with the data in Tables 7 and 8 of the Report of the Actuary on pages 8 and 9 due to differences in categorisation and the Gibraltar Social Insurance Fund members being included in Tables 7 and 8.

<sup>2</sup> This excludes Hong Kong pensions as these are not directly managed by OPD.

<sup>3</sup> Where OPD's responsibility is limited to payment of capped pension supplement and/or safeguard, if in any month the current sterling value of the original pension exceeds the amount of the capped supplement and/or safeguard no payment is due. The capped pension supplement and/or safeguard is the entitled financial limits calculated for each individual pensioner.

**Change in Member Numbers (continued)**

Table 2 shows the percentage change in pensioner numbers and payments in the last three years.

<b>Table 2</b>	<b>2019-20 % Change</b>	<b>2018-19 % Change</b>	<b>2017-18 % Change</b>
No. of Service Pensioners	-10.1%	-10.0%	-9.9%
No. of Dependants	-7.6%	-6.2%	-7.1%
Total No. of Pensioners	-8.7%	-7.9%	-8.4%
Total No. of Pensions	-9.0%	-8.3%	-8.7%
Total No. of Payments	-9.1%	-9.1%	-9.2%

Of the current 7,704 pensioners:

- 40 per cent are male
- 65 per cent live in the UK; the remainder in 72 other countries
- 87 per cent have chosen a monthly payment frequency; 13 per cent quarterly, bi-annually, or annually. Regardless of the frequency, payments are not always due because of exchange rate movements, periodic suspensions and death
- the average age of Hong Kong service and dependent pensioners is 79
- the average age of all other service pensioners is 88 years
- the average age of all other dependent pensioners is 88 years
- the oldest pensioner is 106, and there are 70 other centenarians in receipt of pensions.

Projections of pensioner numbers estimate that the remaining payments relating to existing pensioners will be fully realised by the middle of the century, at which point the Schemes will cease.

**Service Standards**

A key measure of OPD performance is the service it provides to pensioners. Standards are set through a Service Level Agreement (SLA) between DFID, now FCDO, and OPD. The SLA defines the required performance standards and efficiencies, which are subject to regular monitoring and review. OPD's aim is that its service should always be:

- prompt
- efficient
- accurate
- helpful and courteous
- responsive to those with special needs.

Table 3 is performance against service standards. Data is extracted from OPD's computer systems.

<b>Table 3</b>	<b>SLA % Target</b>	<b>2019-20 Achieved %</b>	<b>2018-19 Achieved %</b>
Accuracy of initial payment calculations	97.50	99.79	100.00
Accuracy of initial calculation of new and revised awards	95.00	100.00	100.00
Number of new awards put into payment within 2 weeks	97.50	100.00	100.00
Timeliness of payments by due date	99.00	100.00	100.00
Response to enquiries within 2 weeks of receipt	99.00	100.00	100.00
Response to complaints within 2 weeks of receipt*	95.00	100.00	100.00

\*OPD received 1 complaint during 2019-20 (2018-19: 0) from pensioners or their agents.

**Service Standards (continued)**

OPD measure customer service satisfaction through a questionnaire issued to existing members whose entitlement to pension has recently commenced. During 2019-20 OPD issued 145 questionnaires, of which 88 (61 per cent) were returned. The main conclusions were that:

- 70 per cent (2018-19: 65 per cent) of respondents rated OPD's service as excellent, 28 per cent (2018-19: 31 per cent) as good, 2 per cent (2018-19: 3 per cent) as satisfactory and 0 per cent (2018-19: 1 per cent) as poor
- 77 per cent described OPD staff as helpful (2018-19: 79 per cent)
- 88 per cent described OPD staff as efficient (2018-19: 79 per cent).

Questionnaire results are used in reviewing processes and to identify improvements.

**Efficiency**

OPD's main measure of efficiency is the cost of administration for each unit of activity. Targets are set within the SLA. Table 4 below shows performance against SLA target unit costs. Targets are set based on actual costs for the previous year plus inflation of 1.7 per cent.

<b>Table 4</b>	<b>2019-20 Actual</b>	<b>2019-20 Target Unit Cost</b>	<b>2018-19 Actual</b>
Per pensioner	£37.52	£33.89	£33.32
Per pension	£18.39	£16.54	£16.26
Per payment	£3.88	£3.81	£3.75

Unit costs are higher than the SLA targets for 2019-20 due to an increase in staff salary costs and the reducing pensioner numbers. The non-staff costs reduced by 15%.

The last review of the SLA was carried out in June 2019.

**Former Members of GSIF Administered by CAB**

The pensions of the former members of the GSIF administered by CAB are also closed to new members and the number of pensioners falls each year. The average age of the pensioners is 87 years. The tables below reflect the change in the numbers over the last 3 years and the actual position at 31 March each year.

**Note**, the figures in Tables 5 and 6 relate only to pensions administered by CAB.

<b>Table 5</b>	<b>2019-20</b>	<b>2018-19</b>	<b>2017-18</b>
Total No. of Pensioners	1,729	1,985	2,227
Total No. of Pensions	1,729	1,985	2,227

<b>Table 6</b>	<b>2019-20 % Change</b>	<b>2018-19 % Change</b>	<b>2017-18 % Change</b>
Total No. of Pensioners	-12.9%	-10.9%	-10.1%
Total No. of Pensions	-12.9%	-10.9%	-10.1%

CAB operates its own service delivery standards. DFID, now FCDO, holds contract compliance review meetings directly with CAB.

## Information Assurance

A large quantity of personal and sensitive data is kept for the Schemes. A governance structure is in place to ensure information security and to manage the associated risks. DFID, now FCDO, follows ISO/IEC 27001:2013, the international standard for information security management systems and conducts internal reviews and audits against that.

OPD identified no reportable incidents of the loss of any personal data to the Information Commissioner's Office in 2019-20 and the Information Commissioner made no findings against OPD for breach of Data Protection principles. No such incidents were reported in the previous twelve years.

## Financial Review

The pension liability at 31 March 2020 was £646.9 million (31 March 2019: £676.2 million).

A full actuarial valuation of the pension liability was carried out as at 31 December 2017 (30 November 2017 in relation to the Gibraltar Social Insurance Fund) and it was assumed that there were no material changes to membership between these dates and 31 March 2018. Interim assessments as at 31 March 2019 and 31 March 2020 have also been performed, rolling forward the previous year's liability by adjusting the liability for updated summary membership information. Full actuarial valuations are prepared every four years and the next will be carried out for the 2021-22 Accounts. Valuation adjustments in 2019-20 increased the pension liability by £7.6 million (2018-19: £54.1 million decrease).

Pensions paid in 2019-20 were £55.7 million (2018-19: £60.3 million) and the interest cost was £18.8 million (2018-19: £18.9 million). The interest cost increases the discounted liabilities because future benefit payments are one year closer to settlement. It is determined by the applied discount rate and assumptions about price inflation. For 2019-20 liabilities were discounted at a nominal rate of 1.80 per cent (2018-19: 2.90 per cent) based on the real discount rate in excess of pension increases of -0.50 per cent (2018-19: 0.29 per cent). Discount rates are determined by HM Treasury with reference to market yields on high quality corporate bonds.

Primarily due to the inclusion of the pension liability, as at 31 March 2020 the Statement of Financial Position shows negative taxpayers' equity of £647.0 million (2018-19: £676.5 million). In common with other obligations of Government Departments, the future financing of pension liabilities will be met from grants of supply approved annually by Parliament. There is no reason to believe that future approvals will not be forthcoming, and it has accordingly been considered appropriate to adopt a going concern basis for the preparation of these Accounts.

The Parliamentary Supply Resource AME Outturn of £18.8 million was 13.8 per cent lower than the Estimate of £21.8 million due to prior year actuarial gains decreasing the pension liability on which the interest cost is calculated. The Net Cash Requirement Outturn of £55.9 million was 5.3 per cent lower than the Estimate of £59.0 million reflecting lower than forecast pension payments, based on actual pensioner numbers.

2019-20 OPD costs for managing pensions were part of DFID administration expenditure and are included in DFID's 2019-20 Annual Report and Accounts.



## Principal Risks and Uncertainties

The key risk which the Schemes face is the continued (unauthorised) payment of pension benefits after a member has died. To mitigate against this risk, the Schemes require all members to complete and return a signed annual declaration confirming proof of life and verifying their identity. Further details on controlling this risk are provided within the Governance Statement.

## DFID Management Board

There is no Management Board in place within the Schemes due to the Schemes being closed. During 2019-20, where any decisions were required in respect of the Schemes the Management Board of DFID was consulted by the Chief People Officer as appropriate. With effect from 2 September 2020, the FCDO Management Board took on this responsibility. The composition of the DFID Management Board during 2019-20 was as follows:

**Matthew Rycroft CBE (to 22 March 2020)**  
**Nick Dyer CB (Acting from 23 March 2020)**  
Permanent Secretary

**Lindy Cameron (to 3 June 2019)**  
**George Turkington (Acting from 27 May 2019 until 30 November 2019)**  
**Moazzam Malik (from 7 October 2019)**  
Director General, Country Programmes

**Juliet Chua**  
Director General, Finance and Corporate Performance

**Nick Dyer CB (to 22 March 2020)**  
**Rachel Turner (Acting from 23 March 2020)**  
Director General, Economic Development and International

**Richard Clarke**  
Director General, Policy, Research and Humanitarian

**Vel Gnanendran (to 28 April 2019)**  
**Jackie McAllister (Acting from 15 April 2019 to 9 June 2019)**  
**Tim Jones (from 10 June 2019)**  
Director, Finance, Commercial and Delivery

**Melinda Bohannon**  
Director, Strategy

**Ravi Chand**  
Chief People Officer

The Permanent Secretary appointed members to the DFID Management Board.

## Events After the Reporting Period

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

## Further Information

An explanatory booklet "A Guide to Your Pension" is issued to all pensioners. The booklet contains details of the standard of service they can expect to receive from OPD and general information on the administration of their pensions, including dispute resolution procedures. A copy of the Guide and other general information can be obtained from OPD.

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

The Schemes' Manager  
Overseas Pensions Department  
Foreign, Commonwealth and Development Office  
East Kilbride G75 8EA

## Managers and Advisers

<b>Accounting Officer:</b>	Sir Philip Barton Accounting Officer for the Overseas Superannuation Schemes Foreign, Commonwealth and Development Office King Charles Street London SW1A 2AH United Kingdom
<b>Managers:</b>	Overseas Pensions Department Foreign, Commonwealth and Development Office East Kilbride G75 8EA
<b>Actuary:</b>	Government Actuary's Department, Finlaison House, 15-17 Furnival Street, London EC4A 1AB
<b>Bankers:</b>	Royal Bank of Scotland plc, London Corporate SC, PO Box 39952, 21 / 2 Devonshire Square, London EC2M 4XJ  Citibank, N A Citigroup Centre, Canada Square, Canary Wharf, London E15 5LB  National Westminster Bank plc, 2 <sup>nd</sup> Floor, 280 Bishopsgate, London EC2M 4RB
<b>Legal Advisers:</b>	Office of the Solicitor to the Advocate General for Scotland, Victoria Quay, Edinburgh EH6 6QQ
<b>Auditors:</b>	The Comptroller and Auditor General, 157-197 Buckingham Palace Road, Victoria, London SW1W 9SP
<b>GSIF Administrators:</b>	Crown Agents Bank, Quadrant House, Sutton, Surrey, SM2 5AS

## Report of the Actuary

### Overseas Superannuation Schemes administered by the Department for International Development

#### Accounts for the year ended 31 March 2020

#### Introduction

This statement has been prepared by the Government Actuary's Department (GAD) at the request of the Department for International Development (DFID). It provides a summary of GAD's assessment of the scheme liability in respect of the Department for International Development Overseas Superannuation (Schemes) as at 31 March 2020, and the movement in the scheme liability over the year 2019-20, prepared in accordance with the requirements of Chapter 9 of the 2019-20 version of the Financial Reporting Manual.

The Schemes are defined benefit schemes providing pension and lump sum benefits on retirement, death and resignation. The scheme is wholly unfunded. I am not aware of any informal practices operated within the schemes which lead to a constructive obligation.

The assessment has been carried out by calculating the liability as at 31 March 2018 based on the data provided as at 31 December 2017 and rolling forward that liability to 31 March 2020, allowing for the increase in the liability resulting from the Gibraltar Social Insurance Fund that transferred into the Scheme at 1 April 2018. The value of the transfer-in was calculated using the assumptions for the 2017-18 Overseas Superannuation Accounts.

#### Membership Data

Tables 7 and 8 below summarise the principal membership data as at 31 December 2017 used to calculate the liability as at 31 March 2018, which was used to prepare this statement. This combines the data provided as at 31 December 2017 for the 2017-18 Overseas Superannuation Accounts with the additional data as at 30 November 2017 for the Gibraltar Social Insurance Fund transfer.

The tables report the number of records; some members have more than one record. The pension figures exclude the pension increases awarded in April 2019 and April 2020. Average ages are weighted by pension amount.

**Table 7: Membership data (excluding Hong Kong) by type of member**

Membership	Number of records	Total pension (£000's p.a.)	Average age (years)
Service pensioners	5,593	22,112	88
Dependant pensioners	5,655	39,584	88
<b>Total (excluding Hong Kong)</b>	<b>11,248</b>	<b>61,696</b>	<b>88</b>

## Membership Data (continued)

**Table 8: Hong Kong membership data\***

	Number of records	SPOS ceiling (£000's p.a.)	SPOS base (£000's p.a.)	Total safeguard (£000's p.a.)	Contingent safeguard (£000's p.a.)	Average age (years)
<b>Total</b>	<b>1,359</b>	<b>39,471</b>	<b>20,408</b>	<b>22,332</b>	<b>5,471</b>	<b>79</b>

\*Pension increases are known as the Supplementary Pension for Overseas Service (SPOS). The "SPOS base" pension is the member's pension at retirement converted into Pounds Sterling and the "SPOS ceiling" pension is the SPOS base pension plus pension increases. The "Safeguard" pension acts as an underpin to the SPOS pension and may apply for example if the value of the Hong Kong Dollar falls against the Pound Sterling.

## Methodology

The present value of the liabilities as at 31 March 2020 has been determined using the Projected Unit Credit Method (PUCM) and the financial and demographic assumptions applying as at 31 March 2020. This method has been adapted for actives in agreement with DFID and the auditors in view of the small number of active members. That is, the actuarial liability of active members has been valued assuming members retire immediately but allowing for full future service to their normal retirement date. The contribution rate for accruing costs in the year ended 31 March 2020 was nil because of the way the methodology has been adapted for active members.

This statement takes into account the benefits normally provided under the Scheme.

## Financial Assumptions

The principal financial assumptions adopted to prepare this statement are shown in Table 9.

**Table 9: Principal financial assumptions**

Assumption	31 March 2020 p.a.	31 March 2019 p.a.
Nominal discount rate	1.80%	2.90%
Rate of pension increases (CPI)	2.35%	2.60%
Rate of pension increases (RPI)	3.35%	3.60%
Real discount rate in excess of CPI pension increases	-0.5%	0.29%
Expected return on assets	n/a	n/a

In assessing pension liabilities as at 31 March 2020, known pension increases up to and including April 2020 have been allowed for, with the assumptions set out in Table 9 above used for the future pension increases.

## Demographic Assumptions

Table 10 summarises the mortality assumptions adopted to prepare this statement, which were derived from the specific experience of the Scheme membership. The table refers to the standard mortality tables prepared by the Continuous Mortality Investigation (part of the Actuarial Profession) known as the 'S2 tables' with the percentage adjustments to those tables derived from scheme experience.

## Demographic Assumptions (continued)

**Table 10: Post-retirement mortality assumptions**

<b>Baseline mortality</b>	<b>Standard table</b>	<b>Adjustment</b>
Males – retirements in normal health	S2NMA	102%
Females – retirements in normal health	S2NFA	100%

The baseline mortality assumptions in Table 10 are the same as those adopted for the Accounts as at 31 March 2019.

For the 2018-19 Accounts, future improvements in mortality were assumed to be in line with the 2016-based principal population projections published by the Office for National Statistics (ONS). Mortality improvements are now assumed to be in line with the latest 2018-based projections for the United Kingdom published by the ONS in October 2019, which leads to a reduction in life expectancies.

## Liabilities

Table 11 summarises the assessed value as at 31 March 2020 of benefits accrued under the Schemes prior to this date based on the data, methodology and assumptions described in the sections 'Membership Data', 'Methodology', 'Financial Assumptions' and 'Demographic Assumptions'. The corresponding figures for the previous year are shown for comparison.

**Table 11: Statement of Financial Position**

	<b>31 March 2020</b>	<b>31 March 2019</b>
	<b>(£ million)</b>	<b>(£ million)</b>
<b>Total market value of assets</b>	nil	nil
<b>Value of liabilities</b>	(646.901)	(676.203)
<b>Deficit</b>	(646.901)	(676.203)
<b>of which recoverable by employers</b>	n/a	n/a

## Accruing Costs

The cost of benefits accruing in the year ended 31 March 2020 (the Current Service Cost) is nil as a result of the adaptation to the PUCM agreed for the valuation of the active membership.

Past service costs arise when an employer undertakes to provide a different level of benefits than previously promised. I am not aware of any events that have led to a material past service cost over 2019-20.

I am not aware of any events that have led to a material settlement or curtailment gain or loss over 2019-20.

## Sensitivity Analysis

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty I have been asked to indicate the approximate effects on the actuarial liability as at 31 March 2020 of changes to the most significant actuarial assumptions.

The most significant financial assumptions are the nominal discount rate and the pension increases (the real discount rate represents the difference between the nominal discount rate and the assumed rate of pension increases) and the impact of these varies with the different types of pension benefit for which DFID is responsible.

- Where DFID is responsible for all of an increasing pension, the key impact comes from the difference between the nominal discount rate and the pension increase assumption.
- Where DFID is responsible for the entire pension which is fixed in payment, it is the nominal discount rate that affects the value placed on the benefit, as the value is unaffected by changes in the pension increase assumption.
- There are also pensions where DFID is only responsible for the increases on pensions in payment, the impact depends on the difference between the value of an increasing and non-increasing pension, i.e. the difference between the values in the above two bullet points.

The key demographic assumption is pensioner mortality and we show the impact of assuming members live longer in retirement.

Table 12 shows the indicative effects on the total liability as at 31 March 2020 of changes to these assumptions (rounded to the nearest 0.5%).

**Table 12: Sensitivity to significant assumptions**

Change in assumption	Approximate effect on total liability		
<b>Financial assumptions</b>			
(i) Nominal discount rate*:	-0.5% p.a.	+4.5%	+£29.1 million
(ii) Pension increases*:	+0.5% p.a.	+5.0%	+£32.3 million
<b>Demographic assumptions</b>			
(iii) Additional 1 year increase in life expectancy at retirement*:		+5.5%	+£35.6 million

\* Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability.

## Covid-19 Implications

The 2019-20 Accounts are being produced at a time when the UK is in the midst of dealing with the Covid-19 pandemic. I have considered the potential implications of how this pandemic could impact on the actuarial calculations required for the Accounts.

The assumptions for the discount rate and pension increases are specified by HM Treasury in the PES (2019) 11 Revised, dated 6 December 2019, and remain unchanged for these Accounts. The PES assumptions reflect market conditions at the previous 30 November and are typically not amended for any changes between November and the accounting date.

### **Covid-19 Implications (continued)**

The current population mortality projections make no specific allowance for the impact of Covid-19 or any other pandemics. The starting rates of mortality improvement are based on projections of past trends in UK mortality and the effects of past pandemics will already be reflected in these trends. In general, the effects of pandemics on mortality rates are usually expected to be short term, with rates going back to what they would have been before the pandemic after a year or two, unless the pandemic remains over several years. My view is that it is too early in the pandemic to determine whether Covid-19 changes the long-term view of life expectancy in the UK. It is therefore not unreasonable to retain the existing mortality assumptions. A death rate from Covid-19 in excess of that already allowed for in the mortality assumptions would emerge as an experience gain over the next year's Account.

**Garry Swann FIA**

Actuary

Government Actuary's Department

16 April 2020

## Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Department for International Development Overseas Superannuation to prepare for each financial year a statement of Accounts in the form and on the basis set out in the Accounts Direction. The Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Schemes and of their income and expenditure, Statement of Financial Position and cash flows for the financial year.

In preparing the financial statements, 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 financial statements
- prepare the financial statements on a going concern basis
- confirm that the Accounts as a whole are fair, balanced and understandable and take personal responsibility for the Accounts and the judgements required for determining that they are fair, balanced and understandable.

HM Treasury had appointed the Accounting Officer of the Department for International Development, as Accounting Officer of the Department for International Development Overseas Superannuation. With effect from 2 September 2020, HM Treasury appointed the Accounting Officer of the Foreign, Commonwealth and Development Office (FCDO) as Accounting Officer for the Overseas Superannuation Schemes. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the Schemes are set out in *Managing Public Money* published by 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 Schemes' auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.



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## Governance Statement

### Introduction

As Accounting Officer, I have responsibility for ensuring that an effective corporate governance framework applies within the Overseas Superannuation Schemes, which provides strategic direction and effective management of the Schemes and their administrators. In particular, the supporting corporate governance systems are designed to manage risks, ensure accountability and deliver efficient and effective organisational performance. As Accounting Officer for the Foreign, Commonwealth and Development Office (FCDO) from 2 September 2020, I also have responsibility for the Department for International Development Overseas Superannuation Schemes. I also have responsibility for the activities which are carried out by the Overseas Pension Department (OPD) on behalf of the Schemes.

### Opinion

As the current Accounting Officer, my opinion for the period 2019-20 is informed by:

- the work of DFID's Internal Audit Department (IAD)
- the DFID Audit and Risk Assurance Committee
- the Director General for Finance and Corporate Performance, who had responsibility for OPD, confirmed through the Director's Statement of Assurance verification
- the Chief People Officer, who was accountable for OPD, confirmed through his annual Director's Statement of Assurance verification
- the handover letter from the DFID's Interim Accounting Officer detailing the assurances provided from the existing control framework
- the work performed and reported by the National Audit Office (NAO)
- the work performed and reported by BDO Auditors who are commissioned by OPD to undertake a specific review on the Gibraltar Social Insurance Fund (GSIF) scheme.

Based on this advice and evidence, I am satisfied with the overall standard of corporate governance that has been in place in OPD, applied to the Schemes, for the year ended 31 March 2020 and up to the approval date of these Accounts. Any weaknesses identified in the internal operating environment have been assessed and appropriate action has been taken or is in progress to address these.

### Governing Bodies

This Statement describes the governance structure and arrangements that DFID had put in place in its capacity as administrating authority for the Schemes.

The Minister with responsibility for Overseas Superannuation Schemes for the financial year ending 31 March 2020 was the Minister for International Development, Lord Bates to 23 April 2019, succeeded by Baroness Sugg between 24 April 2019 and 13 February 2020, then Lord Ahmad from 14 February 2020.

The Manager of the Overseas Superannuation Schemes was an employee of DFID, in his capacity as Head of OPD. Since 2 September 2020, OPD is part of the FCDO, and the Schemes' Manager is an employee of FCDO.

The Chief People Officer of DFID was accountable to DFID's Management Board for the work of OPD and for assessing and managing associated risks. OPD's sole responsibility is in relation to serving and fulfilling the requirements of the Schemes, set out within the SLA.

## **Governing Bodies (continued)**

There is no Management Board in place within the Schemes due to the Schemes being closed. Where any decisions were required in respect of the Schemes the Management Board of DFID was consulted by the Chief People Officer as appropriate. There have been no instances where this was required during 2019-20.

During 2019-20, the details of the DFID Management Board members and their respective meeting attendance records are included within the Governance Statement in DFID's 2019-20 Annual Report and Accounts, which can be found at [www.gov.uk/government/organisations/department-for-international-development](http://www.gov.uk/government/organisations/department-for-international-development). Details of the FCDO governance arrangements (in place from 2 September 2020) can be found at [www.gov.uk/government/organisations/foreign-commonwealth-development-office/about/our-governance](http://www.gov.uk/government/organisations/foreign-commonwealth-development-office/about/our-governance).

The pensions and related benefits under the Schemes are covered by the Acts of Parliament noted in the Management Commentary (refer to page 2).

## **Compliance with the Corporate Governance Code of Good Practice**

The Overseas Superannuation Schemes comply with the 'Corporate Governance in Central Government Departments: Code of Good Practice 2017' using DFID systems and governance, applied within OPD. Confirmation that DFID was satisfied that it complied with the Code is given in DFID's 2019-20 Annual Report and Accounts.

## **OPD's Performance**

For 2019-20, an SLA was in place between DFID, as sponsoring employer to the Schemes, and OPD, who have been appointed to carry out the administration of the Schemes. This confirms that OPD are responsible for the administration and payment of pensions to the Schemes' members and their dependants. The terms of the agreement also include OPD's responsibility within the British Government for all aspects of policy and advice on colonial pension matters.

This SLA was signed by the Schemes' Manager and the Accounting Officer of DFID. It is subject to regular review to ensure it remains appropriate and effective in governing the work and resources of OPD. This includes consideration of the appropriateness of the information used to measure performance, both in terms of content and quality. A full review of the SLA was finalised in June 2019.

Throughout 2019-20 OPD tested and delivered a new updated payment system. This system was rigorously tested during the year prior to implementation and became live in February 2020. During this time two temporary staff were recruited to assist with this testing.

OPD's effectiveness is outlined within the OPD Annual Report. An entry on Crown Agents Bank (CAB) GSIF pensions is included with any issues highlighted. This was provided to the Minister with responsibility for the Schemes, myself as the Accounting Officer for both FCDO and the Schemes, the Director General for Finance and Corporate Performance, whose remit included responsibility for OPD, and the Chief People Officer, who was accountable for OPD, in order for them to review the performance of OPD in 2019-20. The data supplied includes details of workload and transactions undertaken in the year under review, number of complaints and compensation paid, details of payment irregularities, standards of service against targets together with details of financial performance of the department.

## **Crown Agents Bank's Performance**

A contract was in place between DFID, as sponsoring employer to the GSIF Scheme, and CAB, who have been appointed to carry out the administration of this Scheme. This confirms that CAB are responsible for the administration and payment of pensions to the Scheme's members. OPD provides funding for the pensions and CAB reports to OPD on all aspects of the Scheme. From 2 September 2020 the contract continues under FCDO.

The contract is subject to review by DFID's (now FCDO's) Procurement Department (PCD) and OPD complete their Strategic Relationship Management Performance Scorecard. This enables PCD to hold contract compliance review meetings directly with CAB.

OPD are informed of CAB's performance through both the external and NAO audits and through meetings with CAB senior management and general team business communications with their CAB counterparts.

## **Board's Performance**

The effectiveness of DFID's Management Board in 2019-20 was detailed in the Governance Statement within DFID's 2019-20 Annual Report and Accounts.

There have been no ministerial directions given in 2019-20.

## **Highlights of Management Board Sub-Committees**

DFID's Management Board sub-committees held meetings throughout the year 2019-20. The meetings identified no actions or outcomes in relation to the Overseas Superannuation Schemes. Highlights of the relevant Management Board sub-committees active during 2019-20 can be found within the Governance Statement in DFID's 2019-20 Annual Report and Accounts.

## **Risk Management and Internal Control Environment**

The Schemes' assessment of risk and the internal control environment is based on the assessment of the environment applied within OPD and CAB and how this mitigates the principal risks and uncertainties identified which apply to the Schemes.

## **Internal Control**

OPD's risk management architecture, when part of DFID, was fully reviewed in financial year 2017-18 and continues to be strengthened to deliver more active and effective management of risks. Management of risk in OPD was supported by the DFID Management Board's Risk Appetite Statement in 2019-20.

The Schemes' Manager worked with the Chief People Officer, to identify the key risks facing the Schemes and develop controls within OPD to mitigate, prevent and detect weaknesses in controls over these risks.

All OPD staff have refreshed their mandatory and relevant fraud awareness training and continue training in specific topics during OPD Team meetings. Where process improvements have been made we continue to focus on ensuring compliance in these areas.

During the testing following upgrades of the payments system we focused on the key control areas and risks. These were centred around the segregation of duties and the related system access by different staff grades.

## **Internal Control (continued)**

As part of the contract with CAB, an external audit was commissioned and undertaken by BDO Auditors on pensions administered by CAB on behalf of HMG. It reviewed the adequacy and effectiveness of the processes in place to certify those receiving pension payments and to consider how effective those processes and controls are in managing the risk of payments being made to ineligible individuals.

## **Capacity to Handle Risk**

DFID's capacity to handle risk, including that of OPD, was set out in the Governance Statement in DFID's 2019-20 Annual Report and Accounts. This included the overall responsibility of the Management Board in respect of risk management, and details of the integration of risk management throughout the Department.

## **The Risk and Control Framework**

DFID's processes for identifying, evaluating and managing risk were set out in the Governance Statement in DFID's 2019-20 Annual Report and Accounts. These processes included the identification, evaluation and review of strategic risk by the Management Board and included the risks with potentially the most significant impact on DFID financially and non-financially. Risks associated with the work of OPD were not identified among the strategic and policy risks monitored by the Management Board.

OPD has a Risk Register which highlights potential areas of risk, the key point of impact and the controls in place. The Risk Register is reviewed monthly by the Schemes' Manager. Control of risk within OPD is also partly exercised through the setting of performance standards for OPD in the SLA. The SLA defines the required performance standards and efficiencies which are subject to monitoring and review. The pension entitlement and payment authorisation processes have been reviewed and fully mapped. Performance against the SLA is included within the Report of the Managers. The Schemes' Manager reviews these results and takes action where appropriate to identify and implement improvement opportunities.

CAB operates a three lines of defence model in-line with industry best practice for risk management. Risk management is an integral part of the Pensions Operations team processes. As part of the risk management framework the team undertake risk control self-assessments on identification and assessment of business risks and identification and implementation of appropriate controls. This ensures staff are competent and capable in their roles and the risk management process.

A key risk that OPD faces is making continued pension payments following the death of a pensioner. The Schemes require all members or their legal representatives to complete and return a signed annual declaration confirming proof of life and verifying their identity. The verification process ensures that all the data requested are clearly provided. This process has been fully reviewed and documented. If the annual declaration is not received or is returned incomplete, OPD suspend the pension payment until an explanation is provided or a properly completed declaration is received. OPD also conducts annual validation exercises on samples of pensioner groups to provide assurance on continued pension entitlement. To mitigate the risk of GSIF payments issuing after the death of a pensioner, CAB issue and validate Proof of Life forms twice per year. CAB also provide monthly data to OPD on New Awards, Deaths, Pensioners suspended for non-return of annual declaration form and any Fraud cases.

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## The Risk and Control Framework (continued)

OPD participates in the Cabinet Office's National Fraud Initiative (NFI), which aims to detect possible frauds of public monies by matching the information held on individuals on the databases of participating public sector organisations. The NFI is effectively a formal fraud risk assessment process, and the results are used by management to inform an assessment of the Schemes' susceptibility to fraud. The participation in the NFI is now an established practice in OPD and will be conducted every two years. OPD had no incidents arising from the NFI in 2018-19 and will participate again in 2020-21.

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

OPD, as part of DFID (now FCDO), follows ISO/IEC 27001:2013, the internationally recognised standard for information security management. This provides considerable assurance on the efficiency of our information security management system, which is utilised by OPD to record information pertaining to the Overseas Superannuation Schemes. DFID, and now FCDO, has an Information and Cyber Security Management Group, who manage the Department's Information Security Management System and regularly report the information risk position to the Management Board.

DFID was required to report on data incidents which met criteria for severity to central government and to the Information Commissioner's Office. OPD had no incidents which met these criteria in 2019-20.

### Review of Effectiveness

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

I have seen the annual statement of assurance for the directorate provided by the former DFID Chief People Officer, covering identification and management of risk and an assurance on compliance with management and control systems within his Division. The statement of assurance informs my review of OPD systems for performance management and compliance with control systems. This reflects input from the Schemes' Manager on the performance of OPD during the year under review, which is provided in the Schemes' Manager's annual report.

### Significant Internal Control Issues

There were no significant internal control issues found during 2019-20. The documented Internal Control framework in place enables all internal controls to be continually reviewed. This allows OPD to respond and adapt quickly to any change in circumstances.

## Statement of Parliamentary Supply

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FRM) requires the Schemes to prepare a Statement of Parliamentary Supply (SoPS) and supporting notes.

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

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

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

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

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

The supporting notes detail the following: Outturn by Estimate line, providing a more detailed breakdown (note 1); a reconciliation of outturn to net operating expenditure in the Statement of Comprehensive Net (Expenditure)/Income, to tie the SoPS to the financial statements (note 2); and, a reconciliation of outturn to net cash requirement (note 3).

## Summary Tables – mirrors part 1 of the Estimates

### Summary Table, 2019-20, all figure presented in £000's

Type of Spend	SoPS Note	Outturn			Estimate			Outturn vs Estimate, saving/(excess)		Prior Year Outturn Total, 2018-19
		Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted	Total	
<b>Departmental Expenditure Limit</b>										
Resource		-	-	-	-	-	-	-	-	-
Capital		-	-	-	-	-	-	-	-	-
<b>Total</b>		-	-	-	-	-	-	-	-	-
<b>Annually Managed Expenditure</b>										
Resource	1	18,807	-	18,807	21,800	-	21,800	2,993	2,993	54,065
Capital		-	-	-	-	-	-	-	-	-
<b>Total</b>		<b>18,807</b>	<b>-</b>	<b>18,807</b>	<b>21,800</b>	<b>-</b>	<b>21,800</b>	<b>2,993</b>	<b>2,993</b>	<b>54,065</b>
<b>Total Budget</b>										
Resource	1	18,807	-	18,807	21,800	-	21,800	2,993	2,993	54,065
Capital		-	-	-	-	-	-	-	-	-
<b>Total Budget Expenditure</b>		<b>18,807</b>	<b>-</b>	<b>18,807</b>	<b>21,800</b>	<b>-</b>	<b>21,800</b>	<b>2,993</b>	<b>2,993</b>	<b>54,065</b>
<b>Non-Budget Expenditure</b>		-	-	-	-	-	-	-	-	-
<b>Total Budget and Non-Budget</b>		<b>18,807</b>	<b>-</b>	<b>18,807</b>	<b>21,800</b>	<b>-</b>	<b>21,800</b>	<b>2,993</b>	<b>2,993</b>	<b>54,065</b>

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

**Net Cash Requirement 2019-20, all figure presented in £000's**

Item	SoPS Note	Outturn	Estimate	Outturn vs Estimate, saving/(excess)	Prior Year Outturn Total, 2018-19
Net Cash Requirement	3	55,928	59,000	3,072	60,427

**Administration Costs 2019-20, all figure presented in £000's**

Item	SoPS Note	Outturn	Estimate	Outturn vs Estimate, saving/(excess)	Prior Year Outturn Total, 2018-19
Administration Costs	1	-	-	-	-

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



## Notes to the Statement of Parliamentary Supply 2019-20, all figures presented in £000's

### SoPS1. Analysis of Resource Outturn by Estimate Line

Type of Spend (resource)	Resource Outturn							Estimate			Outturn vs Estimate, saving/ (excess)	Prior Year Outturn Total, 2018-19
	Administration			Programme			Total	Total	Virements	Total inc. Virements		
	Gross	Income	Net	Gross	Income	Net						
<b>Spending in Annually Managed Expenditure (AME)</b>												
<b>Voted Expenditure</b>												
A: Interest on Schemes' liability and other expenses	-	-	-	18,807	-	18,807	18,807	21,800	-	21,800	2,993	54,065
<b>Total Voted AME</b>	-	-	-	<b>18,807</b>	-	<b>18,807</b>	<b>18,807</b>	<b>21,800</b>	-	<b>21,800</b>	<b>2,993</b>	<b>54,065</b>
<b>Total Spending in AME</b>	-	-	-	<b>18,807</b>	-	<b>18,807</b>	<b>18,807</b>	<b>21,800</b>	-	<b>21,800</b>	<b>2,993</b>	<b>54,065</b>
<b>Total Resource</b>	-	-	-	<b>18,807</b>	-	<b>18,807</b>	<b>18,807</b>	<b>21,800</b>	-	<b>21,800</b>	<b>2,993</b>	<b>54,065</b>

The total Estimate columns include virements. Virements are the reallocation of provision in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HM Treasury). Further information on virements are provided in the Supply Estimates Manual, available on gov.uk.

The outturn vs estimate column is based on the total including virements. The estimate total before virements have been made is included so that users can tie the estimate back to the Estimates laid before Parliament.

### SoPS2. Reconciliation of Outturn to Net Operating Expenditure

No reconciliation is presented as the total resource outturn of £18,807,000 in SoPS 1 is the same as the net operating expenditure in the Statement of Comprehensive Net (Expenditure)/Income (2018-19: £54,065,000).

**SoPS3. Reconciliation of Net Resource Outturn to Net Cash Requirement**

Item	SoPS Note	Outturn Total	Estimate	Outturn vs Estimate, saving/ (excess)
<b>Total Resource Outturn</b>	1	18,807	21,800	2,993
<i>Adjustments to remove non-cash items:</i>				
Addition to pension liability		(18,807)	(21,800)	(2,993)
<i>Adjustments to reflect movements in working balances:</i>				
Use of pension liability		55,743	59,000	3,257
Increase in receivables		154	-	(154)
Decrease in payables		31	-	(31)
<b>Total</b>		<b>55,928</b>	<b>59,000</b>	<b>3,072</b>
<b>Net Cash Requirement</b>		<b>55,928</b>	<b>59,000</b>	<b>3,072</b>

As noted in the introduction to the SoPS above, outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement.

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## Parliamentary Accountability Disclosures

### Losses and Special Payments

#### *Losses Statement*

	2019-20	2018-19
Total number of losses	60	65
Total value of losses	£18,184	£90,162

Losses generally relate to overpayments to pensioners who have died. There are no individual cases greater than £300,000.

#### *Special Payments*

	2019-20	2018-19
Total number of special payments	1	1
Total value of special payments	£42,660	£41,652

There are no individual cases greater than £300,000.

The Statement of Parliamentary Supply, Notes to the Statement of Parliamentary Supply and Parliamentary Accountability Disclosures are subject to audit.

Sir Philip Barton  
Accounting Officer for the Overseas Superannuation Schemes

17 September 2020

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## 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 Department for International Development Overseas Superannuation pension schemes (‘the Schemes’) for the year ended 31 March 2020 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net (Expenditure)/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 those reports and disclosures as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Schemes’ affairs as at 31 March 2020 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

### 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; and
- 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.

### 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 Schemes 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 Schemes’ use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Schemes have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Schemes’ ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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## **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 Schemes' 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of the Schemes' 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 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 the Schemes 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 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 Accountability Report, other than the part 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 Schemes and their environment obtained in the course of the audit, I have not identified any material misstatements in the Accountability Report; and
- the information given in the Report of the Managers and the Report of the Actuary for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which I report by exception

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

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

### Report

I have no observations to make on these financial statements.

**Gareth Davies**  
**Comptroller and Auditor General**

**21 September 2020**

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

## **Section B: Financial Statements**

### **Statement of Comprehensive Net (Expenditure)/Income**

**for the year to 31 March 2020**

	Note	2019-20 £000	2018-19 £000
<b>Income</b>			
Other pension income		-	-
<b>Expenditure</b>			
Interest on Schemes' liability	5.2	(18,807)	(18,915)
Pension transfers-in	5.2	-	(35,150)
<b>Net expenditure</b>		<b>(18,807)</b>	<b>(54,065)</b>
<b>Other comprehensive net (expenditure)/income</b>			
Pension re-measurements:			
(Loss)/gain due to change in financial assumptions	5.3	(34,789)	8,921
Gain due to change in mortality assumptions	5.3	18,387	-
Experience gain arising on Schemes' liability	5.3	8,768	45,204
		<b>(7,634)</b>	<b>54,125</b>
<b>Total comprehensive net (expenditure)/income for the year ended 31 March</b>		<b>(26,441)</b>	<b>60</b>

Notes on pages 32 to 39 form part of these Accounts.

## Statement of Financial Position

as at 31 March 2020

	Note	31 March 2020 £000	31 March 2019 £000
<b>Current assets</b>			
Receivables		462	308
Cash and cash equivalents	3	116	14
<b>Total current assets</b>		<b>578</b>	<b>322</b>
<b>Current liabilities</b>			
Payables	4.1	(569)	(600)
Consolidated Fund payable for unused supply	4.2	(116)	(14)
<b>Total current liabilities</b>		<b>(685)</b>	<b>(614)</b>
<b>Net current liabilities, excluding pension liability</b>		<b>(107)</b>	<b>(292)</b>
Pension liability	5.2	(646,901)	(676,203)
<b>Net liabilities, including pension liability</b>		<b>(647,008)</b>	<b>(676,495)</b>
<b>Taxpayers' equity</b>			
General fund		(647,008)	(676,495)
		<b>(647,008)</b>	<b>(676,495)</b>

Sir Philip Barton  
Accounting Officer for the Overseas Superannuation Schemes

17 September 2020

Notes on pages 32 to 39 form part of these Accounts.



## Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2020

	Note	General Fund	
		2019-20 £000	2018-19 £000
<b>Balance at 1 April</b>		<b>(676,495)</b>	<b>(736,982)</b>
Net Parliamentary funding - drawn down	4.2	56,030	60,358
Net Parliamentary funding - deemed	4.2	14	83
Supply payable adjustment	4.2	(116)	(14)
Comprehensive net (expenditure)/income for the year		(26,441)	60
Net change in taxpayers' equity		29,487	60,487
<b>Balance at 31 March</b>		<b>(647,008)</b>	<b>(676,495)</b>

Notes on pages 32 to 39 form part of these Accounts.

## Statement of Cash Flows

for the year ended 31 March 2020

	Note	2019-20 £000	2018-19 £000
<b>Cash flows from operating activities</b>			
Net expenditure for the year		(18,807)	(54,065)
Increase in pension liability	5.2	18,807	54,065
Benefits paid and payable	5.2	(55,743)	(60,311)
Increase in receivables		(154)	(134)
Increase/(decrease) in total payables	4.1	71	(51)
Less: movements in payables for items not passing through the Statement of Comprehensive Net (Expenditure)/Income		(102)	69
<b>Net cash outflow from operating activities</b>	SoPS3	<b>(55,928)</b>	<b>(60,427)</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) – current year	4.2	56,030	60,358
<b>Net financing</b>		<b>56,030</b>	<b>60,358</b>
<b>Net increase/(decrease) in cash and cash equivalents in the year before adjustment for receipts and payments to the Consolidated Fund</b>			
		<b>102</b>	<b>(69)</b>
Payments of amounts due to the Consolidated Fund		-	-
<b>Net increase/(decrease) in cash and cash equivalents in the year after adjustment for receipts and payments to the Consolidated Fund</b>			
	3	<b>102</b>	<b>(69)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	3	<b>14</b>	<b>83</b>
<b>Cash and cash equivalents at the end of the year</b>	3	<b>116</b>	<b>14</b>

Notes on pages 32 to 39 form part of these Accounts.

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## Notes to the Financial Statements

### For the year ended 31 March 2020

#### 1 Basis of preparation

- 1.1 The financial statements of the Overseas Superannuation Schemes have been prepared in accordance with the Government Resources and Accounts Act 2000 and the relevant provisions of the 2019-20 *Government Financial Reporting Manual* (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector. IAS 19 *Employee Benefits* and IAS 26 *Accounting and Reporting by Retirement Benefit Plans* are of particular relevance to these statements in the context of their application under the FReM.
- 1.2 In addition to the primary statements prepared under IFRS, the FReM also requires the Schemes to prepare an additional statement – a Statement of Parliamentary Supply. This, statement and its supporting notes, show Outturn against Estimate in terms of the net resource requirement and the net cash requirement.
- 1.3 The financial statements of the Overseas Superannuation Schemes show the financial position at the year end and the income and expenditure during the year. The Statement of Financial Position shows the deficit of the Schemes; the Statement of Comprehensive Net (Expenditure)/Income shows, amongst other things, the movements in the liability analysed between the pension cost and the interest on the Schemes' liability. Further information about the actuarial position of the Schemes is dealt with in the Report of the Actuary, and the Schemes' financial statements should be read in conjunction with that Statement.
- 1.4 The Schemes are mostly non-contributory defined benefit pension schemes, for colonial civil and military officers and their dependants. On 1 April 2018, the pension liability associated with the Gibraltar Social Insurance Fund was transferred from the DFID Annual Report and Accounts to Overseas Superannuation. A fuller description of the Schemes is in the Report of the Managers on pages 1 to 7.
- 1.5 The administration costs of OPD are part of those of DFID, now FCDO, and are included in the DFID 2019-20 Annual Report and Accounts, as is the cost of audit of these statements by the Comptroller and Auditor General. The Report of the Managers includes information on administration and efficiency.

#### 2 Statement of accounting policies

- 2.1 The accounting policies contained in the FReM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate in the public sector context.
- 2.2 Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Schemes for the purpose of giving a true and fair view has been selected. The accounting policies adopted have been applied consistently in dealing with items considered material in relation to the Schemes' financial statements.
- 2.3 Provision is made for liabilities to pay pensions and other benefits in the future. The Schemes' liabilities are measured on an actuarial basis using the projected unit credit method in accordance with IAS 19 *Employee Benefits* and are discounted at the real discount rate in excess of pension increases of -0.50 per cent (2018-19: 0.29 per cent). The discount rate is determined by HM Treasury who track changes in the real yield implied from high quality corporate bond rates.

**2 Statement of accounting policies (continued)**

- 2.4 Pension benefits payable are accounted for as a decrease in the Schemes' liabilities on an accruals basis.
- 2.5 Pension transfers-in are accounted for as an increase in the Schemes' liabilities at the actuarial value on the transfer date, with the related cost an expense in the Statement of Comprehensive Net (Expenditure)/Income.
- 2.6 Full actuarial valuations of the Schemes' liabilities in accordance with IAS 19 *Employee Benefits* are prepared every four years by the Government Actuary's Department. Interim year valuations are performed by rolling forward the previous year's valuation adjusted for updated summary membership information. Actuarial gains and losses arising from full and interim year valuations are recognised in the Statement of Comprehensive Net (Expenditure)/Income.
- 2.7 Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* are stated at discounted amounts and the amount reported to Parliament separately noted.

### 3 Cash and cash equivalents

	2019-20	2018-19
	£000	£000
Balance at 1 April	14	83
Net changes in cash balances	102	(69)
<b>Balance at 31 March</b>	<b>116</b>	<b>14</b>

The following balances at 31 March were held at:

	2019-20	2018-19
	£000	£000
Government Banking Service	112	14
Commercial banks	4	-
<b>Balance at 31 March</b>	<b>116</b>	<b>14</b>

### 4 Payables – in respect of pensions

#### 4.1 Analysis by type

	2019-20	2018-19
Note	£000	£000
<b>Amounts falling due within one year</b>		
<b>Payables:</b>		
HMRC (other central government)	(558)	(588)
Other payables (non-government)	(11)	(12)
	<b>(569)</b>	<b>(600)</b>
<b>Consolidated Fund payable:</b>		
Supply issued and not used	4.2 (116)	(14)
<b>Total: Operating and Consolidated Fund</b>	<b>(685)</b>	<b>(614)</b>

There are no payables falling due after more than one year (2018-19: £nil).

#### 4.2 Consolidated Fund payable for unused supply

	2019-20	2018-19
Note	£000	£000
Supply drawn down	(56,030)	(60,358)
"Deemed" supply (retained from the previous year)	(14)	(83)
	(56,044)	(60,441)
Net cash requirement	SoPS3 55,928	60,427
<b>Supply payable</b>	<b>(116)</b>	<b>(14)</b>

## 5 Pension liability

### 5.1 Assumptions underpinning the Schemes' liability

The Schemes included in these financial statements are unfunded defined benefit schemes. The most recent full actuarial valuation was performed as at 31 December 2017 (30 November 2017 in relation to the Gibraltar Social Insurance Fund) and it was assumed that there were no material changes to membership between these dates and 31 March 2018. Interim assessments as at 31 March 2019 and 31 March 2020 have also been performed, rolling forward the previous year's liability by adjusting the liability for updated summary membership information. The Report of the Actuary on pages 8 to 12 sets out the scope, methodology and results of the work the actuary has carried out.

The Schemes' Manager together with the actuary has signed a Memorandum of Understanding that identifies, as far as practicable, the range of information that the Schemes' Manager should make available to the actuary in order to meet the expected requirements of the Schemes' auditor. This information includes, but is not limited to, details of:

- Schemes' membership data, including age and gender profiles
- The benefit payable, including the member's pension and any spouse's pension
- The Schemes' income and expenditure
- Following consultation with the actuary, the key assumptions that should be used to value the Schemes' liabilities, ensuring that the assumptions are mutually compatible and reflect a best estimate of future experience.

The key financial assumptions used by the actuary were:

	<b>At 31 March 2020</b>	<b>At 31 March 2019</b>	<b>At 31 March 2018</b>	<b>At 31 March 2017</b>	<b>At 31 March 2016</b>
Rate of increase in salaries (%)	n/a	n/a	n/a	n/a	n/a
Rate of increase in pensions increases - CPI (%)	2.35	2.60	2.45	2.55	2.20
Rate of increase in pensions increases - RPI (%)	3.35	3.60	3.45	3.55	3.20
Real discount rate* in excess of pension increases (%)	-0.50	0.29	0.10	0.24	1.37
Nominal discount rate* (%)	1.80	2.90	2.55	2.80	3.60
Expected return on assets	n/a	n/a	n/a	n/a	n/a

\* Discount rates are determined by HM Treasury with reference to market yields on high quality corporate bonds.

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

## 5 Pension liability (continued)

### 5.1 Assumptions underpinning the Schemes' liability (continued)

Current baseline mortality rates have been assumed to be in line with the S2 mortality tables prepared by the Continuous Mortality Investigation (part of the Actuarial Profession), with the percentage adjustments to those tables derived from Schemes' experience:

Males - S2NMA, 102%  
Females - S2NFA, 100%

These rates are assumed to improve in the future in line with the latest central projections for population mortality published by the Office for National Statistics (2019-20: 2018-based projections, 2018-19: 2016-based projections).

These key assumptions are inherently uncertain, since it is impossible to predict with any accuracy future changes in the rate of inflation, longevity or the return on corporate bonds. The actuary uses professional expertise in arriving at a view of the most appropriate rates to use in the valuation of the Schemes' liabilities. However, the Schemes' Manager acknowledges that the valuation reported in these Accounts is not certain, since a change in any one of these assumptions will either increase or reduce the liability. In reality, the complexity and range of assumptions underlying the calculation of the Schemes' liabilities are such that a change in one assumption is likely to have a knock-on effect on other assumptions. A sensitivity analysis for each significant assumption as at 31 March 2020 is included in the Report of the Actuary on page 11.

In the opinion of the Schemes' Manager, the actuary has used key assumptions that are the most appropriate for the Schemes in the light of current knowledge and in accordance with IAS 19 *Employee Benefits*.

The net movement in future liability resulting from changes in financial and mortality assumptions and experience gains (gains due to events not coinciding with assumptions made for the last valuation) is disclosed in Note 5.3. At 31 March 2020, valuation adjustments increased the pension liability by £7.6 million (2018-19: £54.1 million decrease). The 2019-20 increase was a result of a £34.8 million loss due to changes in financial assumptions, offset by a £18.4 million gain from changes in projected improvements in mortality and experience gains of £8.8 million as a result of pension increases being lower than expected. The 2018-19 decrease was primarily due to membership experience gains of £45.2 million.

The pension liability also includes an estimate for contingent spouses' pensions.

### 5.2 Analysis of movements in the Schemes' liability

	Note	2019-20 £000	2018-19 £000
<b>Schemes' liability at 1 April</b>		<b>(676,203)</b>	<b>(736,574)</b>
Interest on Schemes' liability		(18,807)	(18,915)
Benefits payable		55,743	60,311
Actuarial (loss)/gain	5.3	(7,634)	54,125
Pension transfers-in		-	(35,150)
<b>Schemes' liability at 31 March</b>		<b>(646,901)</b>	<b>(676,203)</b>

The liability associated with the Gibraltar Social Insurance Fund was transferred from the DFID Annual Report and Accounts for nil consideration on 1 April 2018 at a value of £35.2 million. This increase in the pension liability is reflected in the 2018-19 Statement of Comprehensive Net (Expenditure)/Income as an expense.

## 5 Pension liability (continued)

### 5.3 Analysis of actuarial (loss)/gain

	2019-20 £000	2018-19 £000
Experience gain arising on Schemes' liability (1.36% of year end liability; 2018-19: 6.68% of year end liability)	8,768	45,204
Gain due to change in mortality assumptions	18,387	-
(Loss)/gain due to change in financial assumptions	(34,789)	8,921
<b>Total actuarial (loss)/gain at 31 March</b>	<b>(7,634)</b>	<b>54,125</b>

### 5.4 History of experience gains/(losses)

	2020	2019	2018	2017	2016
Experience gains/(losses) on the Schemes' liability					
Amount	£9m	£45m	£54m	(£16m)	£44m
Percentage of the present value of the Schemes' liability	1.36%	6.68%	7.31%	1.81%	5.39%
Total amount recognised in Statement of Changes in Taxpayers' Equity					
Amount	£9m	£45m	£54m	(£16m)	£44m
Percentage of the present value of the Schemes' liability	1.36%	6.68%	7.31%	1.81%	5.39%

## 6 Third party arrangement

	2019-20 £000	2018-19 £000
<b>Balance held as at 31 March</b>	<b>20</b>	<b>20</b>

The balance held by OPD for third parties is funding for the cost of pensions in relation to the Kenya Asian Officers' Family Pension Fund, administered by Crown Agents Bank, and the Pakistan High Commission.

The pension liability associated with the Kenya Asian Officers' Family Pension Fund is included in the pension liability balance in these Accounts. Although the Schemes are liable to pay the pensions, the Kenya Asian Officers' Family Pensions Fund reimburses the Schemes with the amounts paid.

OPD acts solely as a paying agent for the Pakistan High Commission, holding no liability for these pensions.

During 2019-20, OPD paid pensions totalling £172,000 (2018-19: £185,000) in relation to the Kenya Asian Officers' Family Pension Fund and the Pakistan High Commission.



## 7 Financial instruments

As the cash requirements of the Schemes are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector Schemes of a similar size. Some credit risk exists in relation to receivables, otherwise the Schemes are exposed to little credit, liquidity or market risk.

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

	Note	2019-20 £000	2018-19 £000
<b>Financial assets</b>			
Receivables		462	308
Cash and cash equivalents	3	116	14
		<b>578</b>	<b>322</b>
<b>Financial liabilities</b>			
Financial liabilities at amortised cost	4.1	(685)	(614)
		<b>(685)</b>	<b>(614)</b>

## 8 Contingent liabilities

A contingent liability of £71.8 million (2018-19: £70.5 million) exists primarily relating to the Hong Kong (Overseas Public Servants) Act 1996, Sterling Safeguard Scheme for value of public service pensions. The safeguard is the amount by which a member's safeguard pension exceeds the UK base pension plus pension increases in relation to the Supplementary Pension for Overseas Service (SPOS). The member's safeguard increases in line with UK inflation. If the Hong Kong pension ceased (either because of default by the government of the Hong Kong Special Administrative Region or because of a fall in the value of the Hong Kong dollar), then FCDO would be responsible for paying the full safeguard pension or the SPOS pension, whichever is greater. This is recognised as a contingent liability (net of the SPOS and the safeguard liability already recognised in the pension liability) and is valued assuming that members' Hong Kong pensions ceased on 1 April 2020.

## 9 Related party transactions

OPD costs for managing pensions are part of DFID administration expenditure in 2019-20 and are included in DFID's 2019-20 Annual Report and Accounts.

No other transactions with the Schemes have been undertaken by the Manager of the Schemes, key managerial staff or other related parties during the year.

## 10 Events after the reporting period

In accordance with the requirements of IAS 10 *Events After the Reporting Period*, events after the reporting period are considered up to the date on which the Accounting Officer authorises the Accounts for issue. The Accounting Officer authorised these financial statements for issue on the date of the Certificate and Report of the Comptroller and Auditor General.

The World Health Organisation announced the Coronavirus (Covid-19) pandemic on 11 March 2020. The impact of this pandemic on the assessment of the pension liability has been considered by the Actuary in the Report of the Actuary on page 11.

On 2 September 2020 the Department for International Development and the Foreign and Commonwealth Office merged into a new department called the Foreign, Commonwealth and Development Office (FCDO), led by the Secretary of State for Foreign, Commonwealth and Development Affairs. The creation of the FCDO has had no financial effect on the Schemes.

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