



United Kingdom
Debt Management
Office

Commissioners for the Reduction of the National Debt

Conversion Loan Redemption Account

Accounts for the period 1 April 2014 to 1 April 2015

Foreword and management commentary

Conversion Loan Redemption Account

The Conversion Loan Redemption Account (CLRA) was established in 1921 as a sinking fund in connection with section 45 of the Finance Act 1921 and the prospectus of 3½% Conversion Loan Stock 1921, which was redeemable from 1961.

For every half year during which the average daily price of the 3½% Conversion Loan Stock has been below £90, HM Treasury has been required to issue funds to the CLRA equal to at least 1% of the loan stock outstanding at the close of that half year. The CRND has been required to apply the sums so issued to the purchase of stock for cancellation.

The account is prepared on a cash basis and must properly present the receipts and payments for the year and the balances held at the year end.

During 2014-2015, £334k (nominal) of stock, with a cash value of £315k, was cancelled (2013-2014: £394k nominal, with a cash value of £322k), as the Bank of England certified that the average price of the 3½% Conversion Loan Stock had been below £90 during the half year to 31 March 2014 and during the half year to 30 September 2014. As the average daily price of the 3½% Conversion Loan Stock was above £90 during the half year to 31 March 2015, no stock needed to be purchased after 31 March 2015.

Following HM Government's announcement on 17 December 2014, all 3½% Conversion Loan Stock was redeemed in full by HM Treasury on 1 April 2015. This redemption of 3½% Conversion Loan Stock brought about the effective closure of the CLRA, being now redundant, on 1 April 2015.

On closure of the CLRA, at 1 April 2015, the balance held in the account was nil (31 March 2013: nil), as all receipts had been used to purchase stock for cancellation.

Audit arrangements

The account is audited by the Comptroller and Auditor General under agreement with HM Treasury. The National Audit Office's fee for audit of the Conversion Loan Redemption Account in 2014-2015 was £1,400 (2013-2014: £1,600). The cost of the audit is accounted for within the DMO's agency vote and reported in the DMO Report and Accounts 2014-2015.

The Secretary and Comptroller General confirms that, as far as she is aware, there is no relevant audit information of which the auditors are unaware, and that she has taken all the steps that she ought to have taken as Secretary and Comptroller General in order to make herself aware of any relevant audit information and to establish that the auditors are aware of that information.

Date of authorisation for issue

The Secretary and Comptroller General authorised these financial statements for issue on

16 July 2015.

Jo Whelan

Secretary and Comptroller General to the Commissioners for the Reduction of the National Debt

16 July 2015

Statement of Secretary and Comptroller General's responsibilities

There is no statutory requirement for the production of an account. However, a receipts and payments account has been prepared at 1 April 2015 and comprises details of cash receipts and payments and the amount of 3½% Conversion Loan purchased and cancelled in the period from 1 April 2014 to 1 April 2015.

The Conversion Loan Redemption Account is prepared on a cash basis and must properly present the receipts and payments for the period from 1 April 2014 to 1 April 2015 and balances held on 1 April 2015.

The Commissioners have appointed the Secretary and Comptroller General to discharge their statutory responsibilities, a role that is analogous to acting as an Accounting Officer. Therefore the Secretary and Comptroller General has responsibility for preparing the annual accounts.

In preparing the accounts, the Secretary and Comptroller General is required to observe the applicable accounting standards and be consistent with the relevant requirements of the Government Financial Reporting Manual (FReM), and in particular to:

- apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis; and
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the accounts.

As the role of the Secretary and Comptroller General is analogous to acting as an Accounting Officer, it is considered that the responsibilities of an Accounting Officer, as set out in Managing Public Money published by HM Treasury, apply to the Secretary and Comptroller General. These include responsibility for the propriety and regularity of the public finances for which the Secretary and Comptroller General is answerable, for keeping proper records, and for safeguarding the CLRA's assets.

Governance statement

Scope of responsibility

As Secretary and Comptroller General to the Commissioners for the Reduction of the National Debt (CRND) I am responsible for ensuring the operation of a sound system of internal control that supports the achievement of CRND's targets, policies and objectives in managing client investment portfolios whilst safeguarding the public funds for which I am accountable, in accordance with the responsibilities assigned to me.

CRND is a separate business entity managed within the control framework of the DMO. While I am responsible for CRND's system of internal control, the Accounting Officer of the DMO is responsible for the wider control framework within which CRND is managed. In discharging my own control responsibilities I take assurance on the continued sound maintenance of the wider control framework from the Governance Statement for the DMO, although I understand that only reasonable and not absolute assurance can be given that risks have been controlled.

It is also my responsibility to ensure that all CRND fund management activities are conducted with due regard to value for money and operated in line with client instructions. I have put arrangements in place to ensure that there is a proper evaluation of the balance of cost and risk in our operations.

CRND is committed to the highest standards of corporate governance and is guided by the Corporate Governance Code for central government departments (the Code) and the following principles laid down in that Code:

- Parliamentary accountability;
- The role of the Board;
- Board composition;
- Board effectiveness; and
- Risk Management.

CRND does not conduct any part of its business with or through arm's length bodies (ALBs) and therefore has not applied principle six which covers departmental governance arrangements with ALBs.

Managing Board

The Secretary and Comptroller General was supported during 2014 - 2015 by the DMO Managing Board (the Board) which, in addition to the Secretary and Comptroller General, is comprised of:

Robert Steeman

DMO Chief Executive and Accounting Officer

Jim Juffs

Chief Operating Officer

Joanne Perez (to 12 March 2015)

Co-Head of Policy and Markets

James Richardson

Non-executive HM Treasury representative

Brian Larkman

Non-executive director – Brian Larkman was Global Head of Money Markets at the Royal Bank of Scotland PLC from 2000 to 2001 and Managing Director, Global Money Markets at National Westminster Bank PLC from 1991 to 2000. He was a member of the Regulatory Decisions Committee of the Financial Services Authority until 2006.

Brian Duffin

Non-executive director – Brian Duffin was Chief Executive of Scottish Life from 1999 to 2007 and Executive Director of Royal London Mutual from 2001 to 2007.

Non-executive directors are appointed by the DMO Accounting Officer following a formal process and have fixed terms defined in their contracts of service. All non-executive Board members receive an induction on joining and have access to additional information and training where it is considered necessary for the effective discharge of their duties.

One of the roles of the Board is to advise the Secretary and Comptroller General on any key decisions affecting CRND.

An executive sub-committee of the Board generally meets weekly and supports the Secretary and Comptroller General on operational decisions.

The Board has put in place a formal process to self-evaluate its performance on a regular basis. The Board undertook a self-evaluation of its performance in 2014 and concluded that it has operated effectively in delivering the objectives set out in its Terms of Reference. The Terms of Reference underwent a full review by the Board in 2012.

2014 - 2015 Managing Board activities

Board meetings were held throughout 2014 - 2015 and covered regular agenda items, including risk management, staffing and progress against the operational business plan.

Board and Audit Committee attendance is outlined in the table below:

		Managing Board		Audit Committee	
	Possible	Actual		Possible	Actual
Robert Stheeman	8	8			
Jo Whelan	8	7			
Jim Juffs	8	8			
Joanne Perez	8	8			
James Richardson	8	7			
Brian Larkman	8	8	4	4	
Brian Duffin	8	8	4	4	
Caroline Mawhood	NA	NA	4	4	

Audit Committee

The Secretary and Comptroller General was supported during 2014 - 2015 by the Audit Committee on matters relating to risk, internal control and governance. The members of the Audit Committee during 2014 - 2015 were:

Brian Larkman (Chair)

Brian Duffin

Caroline Mawhood – Caroline Mawhood was an Assistant Auditor General at the National Audit Office until 2009 and President of the Chartered Institute of Public Finance and Accountancy for 2008 - 2009. She is a non-executive member of the Audit Committees of the Department of Energy and Climate Change and the Corporation of London and one of two external members of the Audit Progress Committee of the European Commission. She is also the Honorary Treasurer of Breakthrough Breast Cancer charity and a trustee of the Wimbledon Guild charity.

Audit Committee meetings are typically attended by the DMO Accounting Officer, the Secretary and Comptroller General, the Co-Heads of Policy & Markets, the Chief Operating Officer and the Head of Internal Audit.

One of the Audit Committee's objectives is to give assurance to the Secretary and Comptroller General that:

- High quality processes are in place to manage and control risk for the DMO's financial and non-financial activities;
- Overall governance arrangements are appropriate and operating effectively;
- The financial control framework is effective and supported by an appropriate compliance culture;
- External financial reporting is prudent, accurate, timely, appropriate and consistent with relevant guidance;
- Internal financial and management reporting is timely, prudent, appropriate and consistent with external financial reports;
- Whistle blowing arrangements for confidentially raising and investigating concerns over possible improprieties in the conduct of the DMO's business are effective; and
- Relationships with the National Audit Office (NAO) are effective.

During the period under review the Audit Committee paid particular attention to the following areas:

- Business continuity planning, especially with regard to IT resilience and recoverability;
- Anti-money laundering controls;
- Anti-fraud controls;
- Risk management and financial control;
- Implementation of audit recommendations;
- External and internal financial reporting;
- Information systems security and controls;
- Transaction processing risks and controls;
- Controls related to testing for IT systems in development;
- People risks; and
- Changes in financial management in government.

The Audit Committee covers a regular programme of agenda items, together with other current topics, through an annual schedule of four meetings. All scheduled meetings were held and no additional meetings were deemed necessary.

The Secretary and Comptroller General has also been informed by the following operational committees throughout the period under review:

Fund Management Review Committee

The Fund Review Management Committee monitors CRND activity relating to the performance of the government funds under management, including any reporting on compliance activities undertaken in relation to the funds.

The Fund Management Committee met four times in 2014 - 2015.

Business Delivery Committee

The Business Delivery Committee reviews the status of the delivery of DMO's business and work plan as a collective cross functional body, resolving emerging issues in a timely way, and agreeing priorities to ensure the plan stays on track.

The Business Delivery Committee met regularly (typically weekly) throughout 2014 - 2015.

Risk Committees

The Secretary and Comptroller General is informed by three risk committees covering credit and market risk, operational risk and risk control. More detail on the roles, responsibilities and activities of these committees can be found in the sections below.

Risk management and internal control

The Secretary and Comptroller General is responsible for maintaining a sound system of internal control that supports the achievement of CRND's targets, policies and objectives in managing client investment portfolios whilst safeguarding the public funds for which she is accountable, in accordance with the responsibilities assigned to her.

CRND is managed within the wider DMO system of internal control which is based upon what the DMO Accounting Officer, with the support of the Board, considers to be appropriate taking account of the DMO's activities, the materiality of risks inherent in those activities and the relative costs and benefits of implementing specific controls to mitigate those risks. The DMO's position differs to that of a commercial organisation in that it must always be in a position to transact the underlying business required to meet its remit. As a result the risks associated with this activity cannot be avoided and the system of internal control can only provide reasonable assurance against failure to achieve aims and objectives.

The Risk and Control Framework

The Board has designed and put in place a formal risk management framework covering all the activities conducted and overseen by the DMO. This Framework helps ensure that the DMO Accounting Officer is appropriately informed and advised of any identified risks and also allows the management of risks to be monitored. The risk management framework covers both regular operations and new business initiatives, and evolves as the range and nature of the DMO's activities change. The Framework is supported by a clear 'three lines of defence' model:

First line of defence:

Day-to-day management of risk is the responsibility of management staff within business areas. The DMO considers effective risk management to be central to its operations and fosters a risk aware culture in which all members of staff, including Board members, are encouraged to understand and own the risks that are inherent in those operations. In particular the DMO seeks to promote an environment in which staff feel comfortable to identify

new risks and changes in previously identified risks, as well as weaknesses so that these may be assessed and appropriate mitigating actions put in place.

Mitigating actions typically include segregation of duties, staff training, clear lines of management delegation and robust business continuity arrangements.

Second line of defence:

Oversight of risk is provided by the Board and risk committees, whose role is to provide regular and systematic scrutiny of risk issues which lie within their remit and to support the DMO Accounting Officer in exercising his overall responsibility for risk management.

The DMO considers that the principal risks it faces arise in three broad areas: credit risk, market risk and operational risk. It has established committees to meet regularly to review the changing risk pattern for each of these areas and to set up appropriate responses. The work of these committees is described in more detail below.

Credit and Market Risk Committee

The Credit and Market Risk Committee (CMRC) meets on a regular basis, with more frequent meetings held when required, for example during times of market stress. It monitors and reviews the management of market, credit, and liquidity risk. It sets limits across a range of exposures including counterparties, countries, instruments held as collateral as well as setting absolute limits on net daily flows across the DMA. CMRC met five times during 2014 - 2015.

Operational Risk Committee

The Operational Risk Committee (ORC) meets regularly to monitor operational risks and to review significant risk issues. The ORC is responsible for reviewing risk incidents identified through the DMO's risk incident reporting process, and considering whether planned mitigating action is appropriate. The Committee also reviews and tracks the progress of actions identified by Internal Audit. The Committee's scope includes issues relating to information risk, IT security, business continuity, anti fraud and key supplier risks.

The ORC has advised the DMO Accounting Officer and the Board, during the year, on significant operational risk concerns, significant risk issues and trends as well as actions to mitigate such risks. The Committee has focused this year on transaction processing risks and controls, IT and data security, business continuity planning and the ongoing resourcing challenges faced by the DMO. ORC met eight times during 2014 - 2015.

Controls Group

The Controls Group meets periodically to review issues affecting the DMO's system of internal control and to analyse material changes to the control environment. The Group recommends actions to management to implement changes where appropriate. The Controls Group consists of representatives from Finance, Risk, Compliance and Internal Audit.

The Controls Group has advised the DMO Accounting Officer, the Board and senior management on any significant risk concerns stemming from the introduction of new business activities as well as risks relating to other change management activities. The Group has also advised the DMO Accounting Officer on suitable mitigating action where appropriate.

During the year the Controls Group review work has covered upgrades to the DMO's core trading system, project work to strengthen the resilience of the DMO's IT architecture, and improvements in IT change management processes.

Risk Management Unit (RMU)

The risk committees are supported by the DMO's Risk Management Unit (RMU) which ensures key risk issues arising from these committees are communicated to the DMO Accounting Officer and senior management on a regular basis, with additional ad hoc reporting if an emerging issue requires it. The RMU also supports the formal risk reporting

processes with defined outputs, including regular detailed risk reports which are reviewed by the Board and senior management.

As well as supporting the risk committee structure, the RMU provides control advice on risks. As part of the second line of defence the RMU is separate from, and independent of, the DMO's trading operations. The RMU conducts risk analysis and provides market, credit and operational risk capability for the DMO.

The identification, monitoring and mitigation of operational risk is facilitated by the RMU via quarterly consultations with heads of business units and functional teams. Significant risk issues are assessed for materiality and probability of occurrence. New risks, and risks to which exposure is increasing, are highlighted and actions are taken to ensure effective management of all risks. The DMO has Senior Risk Owners (SROs) who undertake a cross-functional moderation process to promote better prioritisation of operational risks across the organisation. The RMU maintains a central exception log to record all risk incidents raised, in order to identify control weaknesses and assign actions to improve controls. Progress against treatment actions is monitored on a regular basis to ensure issues highlighted by internal and external audit, and other identified actions to improve the control environment, are managed and progressed within agreed deadlines.

Third line of defence:

The DMO's Internal Audit function provides the DMO Accounting Officer with independent and objective assurance on the overall effectiveness of the Agency's system of internal control. It does this through a risk based work programme which is approved by the Audit Committee at the start of each year. All audits make a series of recommendations which, once agreed by management, are monitored for implementation. The function is independent of the DMO's trading activities and operations and has a direct reporting line to the DMO Accounting Officer. The work of Internal Audit includes assessing the effectiveness of both control design and control performance. With its independence and overall remit, Internal Audit provides a third line of defence against the risks that might prevent the DMO delivering its objectives.

Risk policies and procedures

The DMO's risk policies reflect the high standards and robust requirements which determine the way in which risks are managed and controlled. The DMO Accounting Officer, with the support of the Board, ensures that policies are regularly reviewed to reflect any changes in the DMO's operations and/or best practice. In 2014 – 2015, this included reviews of the DMO's Spreadsheet Management, Physical Security and IT Security, Confidentiality and Information Handling policies, as well as its Personal Dealing Rules.

Staff are required to signify that they have read and accepted the DMO's rules on personal dealing and the DMO's policy on the use of information systems and technology, and that they are aware of, and will continue to keep up to date with, the DMO's policies on whistle blowing, fraud and anti-money laundering. The DMO ensures that this exercise is undertaken on an annual basis allowing staff to maintain a good level of awareness of the DMO's policies in these areas. All members of staff have job descriptions which include reference to the specific key risks they are expected to manage.

Managers in each business function are responsible for ensuring that the operations within their area are compliant with plans, policies, procedures and legislation.

Risk profile

The Secretary and Comptroller General and the DMO Board believe that the principal risks and uncertainties facing CRND are outlined in the table below together with the key actions taken to manage and mitigate them:

Principal risks and uncertainties

Mitigation and management

IT systems and infrastructure

CRND relies on a number of IT and communications systems to conduct its operations effectively and efficiently.

A number of the operational systems and services on which CRND relies are provided or supported by third party suppliers.

In 2014 – 2015, the DMO completed upgrades to parts of its IT infrastructure and its core trading system. This work has reduced operational risk by helping to ensure that levels of support for key technology remain robust.

During the year the DMO has undertaken a review of its most significant IT systems in the context of current and anticipated business requirements including those of CRND. In the medium term this work will inform strategic decisions regarding investment in the DMO's IT infrastructure.

The DMO has put in place structured business continuity arrangements to ensure it is able to continue market operations in the event of an internal or external incident that threatens business operations.

The DMO is represented on the Public Finance Business Continuity Management Group and, in 2014 together with HM Treasury and the Bank of England took part in an exercise designed to test the impact of a cyber-attack on key aspects of public finance processes.

To mitigate the risk of failure of a key third party the DMO undertakes a corporate risk assessment of each potential supplier in order to assess financial strength and operational capacity. The DMO has dedicated relationship managers who meet regularly with key suppliers and monitor performance against agreed Service Level Agreements.

Transaction processing

CRND relies on its operational processes to successfully execute a significant number of high value transactions on a daily basis. Reliance on the accurate execution of processes exposes CRND to operational risk arising from process breakdown and human error.

A key component of CRND's control framework is the segregation of duties to ensure independent checking and reconciliation, and to avoid concentration of key activities or related controls in individuals or small groups of staff. In particular, segregation of duties takes place between front and back office activities. In addition, in 2014 the DMO supported its settlement agent, the Bank of England, to complete a project to introduce straight through processing for a number of their settlement processes. By helping to minimise manual intervention this project has helped reduce the risk of operational errors in the processing of CRND transactions.

All teams, including CRND, have documented procedures for their main activities and there are clearly defined authorisation levels for committing the DMO externally.

The RMU conducts regular control and compliance testing of CRND activities, providing the executive sub-committee of the Board with assurance on the effectiveness of operational controls and compliance with relevant Financial Conduct Authority and Prudential Regulation Authority rules in the dealing and settlement areas.

The DMO also maintains a strong audit and control environment which includes a well embedded incident reporting procedure which extends to cover CRND. This promotes early identification and resolution of risk incidents and provides visibility to the DMO Accounting Officer and Board.

DMO recruitment policies help ensure that individuals with the appropriate level of skill and experience are

appointed at all levels within the organisation. This helps mitigate the level of human error resulting in process failures.

People risk

The DMO, including CRND, relies on maintaining a sufficiently skilled workforce at all levels of the organisation in order to operate effectively and efficiently, and to deliver its strategic objectives.

The DMO is exposed to an increased risk of operational failure if it is unable to compete for, and retain, sufficiently skilled staff over time. Competition for skilled staff is generally against employers from the private financial services sector which is not subject to public sector remuneration policies and which have historically offered higher remuneration than either the private sector in general or the public sector.

The DMO's Training and Development policy aims to ensure that its staff have the right skills to meet its objectives. In response to developments in regulatory best practice, in particular in the area of market conduct, the DMO organised focused training sessions in 2014. These sessions were delivered in conjunction with regulators and external advisers and were aimed at helping front office staff better understand the regulatory environment in which the DMO's market counterparties operate.

The DMO has a formal recruitment and selection process to help ensure vacancies are filled quickly by appropriately skilled candidates.

The DMO has put in place a formal performance appraisal process and all staff are given clear and achievable objectives. Where appropriate, staff are encouraged to engage in activities which promote development and the DMO provides regular training opportunities and support for professional studies to enhance the skills base of its employees. The DMO also provides cross-training for different roles to help improve staffing flexibility and reduce turnover pressure.

Salaries are reviewed annually, taking account of benchmarks derived from equivalent private sector pay levels. In addition the DMO has a policy to recognise those staff who have performed well in their roles through the payment of one off performance related awards. Any awards are assessed annually by the DMO Pay Committee, are determined by individual performance and criteria associated with the DMO's performance management process and are aligned to the policy for public sector pay.

A Staff Council has met regularly throughout the year and enabled an open exchange of ideas and views between management and staff representatives and has been an effective conduit for wider communication and consultation with all staff.

On an annual basis all DMO staff are encouraged to take part in the Civil Service employee engagement survey and any issues raised, including mitigating action if required, will be considered by the DMO Accounting Officer and Board.

The DMO is accredited as an Investor in People.

IT and data security

Through its activities the DMO gathers, disseminates and maintains sensitive information including market sensitive information and personal data about staff and market participants. The DMO seeks to ensure the highest standards of data protection and information management.

The DMO is exposed to risk of an external attack on its IT systems and infrastructure.

The DMO continues to work to maintain the required level of protective security covering physical, personnel and information security and is particularly aware of the growing threat posed by cyber security risk. Cyber security has been a specific area of focus in 2014 - 2015 and the DMO's IT team continue to work to strengthen controls against both external and internal threats to IT systems and infrastructure. This includes developing an additional BCP scenario which combined a test of technical monitoring controls with a desktop exercise to evaluate how the DMO would manage in the event of a successful breach of its security. In addition the DMO completed a number of upgrade projects in 2014 which have helped improve the resilience of the DMO's IT security environment, including an upgrade of its firewall technology and network components.

Risks to data and information held by the DMO are owned and managed by designated Information Asset

Owners. The DMO has a Senior Information Risk Owner (SIRO) who is responsible for the information risk policy and the assessment of information risks. The SIRO is a member of the Board and provides advice to Board members on the management of information risk.

The DMO has put in place several layers to defend against external attack and its infrastructure undergoes an annual penetration test to ensure the control environment is robust. The test is undertaken by specialists and forms part of the assessment against the Communications Electronics Security Group (CESG) requirements which is a condition for continuing connection to the Public Service Network (PSN). In response to the results of the test undertaken in 2014 the DMO improved security on its core networks and was reaccredited as a member of the PSN.

Review of effectiveness

I have reviewed the effectiveness of the system of internal control and confirm that an ongoing process designed to identify, evaluate and prioritise risks to the achievement of CRND's aims and objectives has been in place throughout 2014 - 2015. This review included an assessment of any material risk and control issues identified and reported during the relevant period.

My review has been informed by the advice of the risk committees and by the work of the internal auditors and the executive managers within the DMO, who have been delegated responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

In my role as Secretary and Comptroller General I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee.

In 2014 - 2015, no ministerial directions were given and no material conflicts of interest have been noted by the Board or Audit Committee members in the Register of Interests.

In my opinion, CRND's system of internal control was effective throughout the financial year and remains so on the date I sign this statement.

Jo Whelan

Secretary and Comptroller General to the Commissioners for the Reduction of the National Debt

16 July 2015

INDEPENDENT AUDITOR'S REPORT TO THE COMMISSIONERS FOR THE REDUCTION OF THE NATIONAL DEBT

I have audited the financial statements of Conversion Loan Redemption Account for the period ended 1 April 2015. The financial statements comprise: the Receipts and Payments Account, the Statement of Balances and the related notes. These financial statements have been prepared under the accounting policies set out within the Foreword and management commentary.

Respective responsibilities of the Commissioners for the Reduction of the National Debt, the Secretary and Comptroller General to the Commissioners for the Reduction of the National Debt and Auditor

As explained more fully in the Statement of Secretary and Comptroller General's Responsibilities, the Commissioners for the Reduction of the National Debt have a responsibility to produce a receipts and payments account and statement of balances. They have appointed the Secretary and Comptroller General to the Commissioners for the Reduction of the National Debt to discharge these responsibilities. My responsibility is to audit the financial statements. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Conversion Loan Redemption Account's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Secretary and Comptroller General; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Foreword and management commentary, the Statement of Secretary and Comptroller General's Responsibilities, and the Governance Statement, to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

I am required to obtain evidence sufficient to give reasonable assurance that the receipts and payments 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.

Opinion on regularity

In my opinion, in all material respects, the receipts and payments 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.

Opinion on financial statements

In my opinion, the financial statements properly present the receipts and payments of the Conversion Loan Redemption Account for the period ending 1 April 2015 and of the balances held at that date.

Emphasis of Matter

Without qualifying my opinion, I draw attention to the disclosure in note 1 of the financial statements. On 17 December 2014, HM Government announced that all 3½% Conversion Loan Stock would be redeemed in full by HM Treasury on 1 April 2015. The redemption of 3½% Conversion Loan Stock makes the Conversion Loan Redemption Account redundant and has effectively brought about its closure.

Opinion on other matters

In my opinion, the information given in the Foreword and management commentary for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters for which I report by exception

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

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

Nick Bateson

For and on behalf of the Comptroller and Auditor General

16 July 2015

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Conversion Loan Redemption Account

Receipts and payments

For the period 1 April 2014 to 1 April 2015

	Note	Period ended 1 April 2015 £000	Year ended 31 March 2014 £000
Cash receipts			
From the National Loans Fund		315	322
Cash payments			
Securities purchased and cancelled	2	315	322
Excess of receipts over payments		-	-

Statement of balances

On closure of the CLRA, at 1 April 2015, assets and liabilities were nil (31 March 2014: nil).

Jo Whelan

Secretary and Comptroller General to the Commissioners for the Reduction of the National Debt

16 July 2015

Notes to the accounts

1. Closure of Account

These accounts are the final accounts of the CLRA. The CLRA was closed on 1 April 2015 following the redemption of 3½% Conversion Loan Stock in full by HM Treasury, bringing about the effective closure of the CLRA.

2. Securities purchased and cancelled

	Period ended 1 April 2015 Nominal £000	Period ended 1 April 2015 Cash £000	Year ended 31 March 2014 Nominal £000	Year ended 31 March 2014 Cash £000
3½% Conversion Loan Stock	334	315	394	322