



United Kingdom  
Debt Management  
Office

Commissioners for the Reduction of the National Debt

**Annual Report and Accounts of the  
CRND receipts and payments accounts  
2020-2021**



© Crown copyright 2021

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [www.nationalarchives.gov.uk/doc/open-government-licence/version/3](http://www.nationalarchives.gov.uk/doc/open-government-licence/version/3)

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at [www.dmo.gov.uk](http://www.dmo.gov.uk)

Any enquiries regarding this publication should be sent to us at the United Kingdom Debt Management Office, The Minster Building, 21 Mincing Lane, London, EC3R 7AG.

## **Contents**

<b>Introduction</b>	<b>4</b>
What this document covers	4
<b>Foreword and management commentary</b>	<b>5</b>
Donations and Bequests Account	5
Life and Other Annuities Warrant Account	5
Unclaimed Redemption Moneys Account	6
Unclaimed Stock and Dividends Account	7
All accounts	7
<b>Statement of Secretary and Comptroller General's responsibilities</b>	<b>8</b>
<b>Governance statement</b>	<b>10</b>
<b>Accounts of the Donations and Bequests Account</b>	<b>20</b>
<b>Accounts of the Life and Other Annuities Warrant Account</b>	<b>27</b>
<b>Accounts of the Unclaimed Redemption Moneys Account</b>	<b>33</b>
<b>Accounts of the Unclaimed Stock and Dividends Account</b>	<b>39</b>

## Introduction

### What this document covers

The Commissioners for the Reduction of the National Debt (CRND) is a statutory entity within the United Kingdom Debt Management Office (DMO) that performs a fund management service for public sector clients and manages several receipts and payments accounts.

Prior to 2013-2014, separate Annual Report and Accounts were prepared for the four receipts and payments accounts presented in this document. The significant areas of commonality between the accounts led to the decision to amalgamate them. The Secretary and Comptroller General's responsibilities to report on each account, as described on page 8, are discharged within this document.

This document presents the Annual Report and Accounts of the following accounts for the year ended 31 March 2021:

- Donations and Bequests Account
- Life and Other Annuities Warrant Account
- Unclaimed Redemption Moneys Account
- Unclaimed Stock and Dividends Account

The following sections of this document apply to all the accounts:

- Foreword and management commentary (page 5 to 7)
- Statement of Secretary and Comptroller General's responsibilities (page 8 to 9)
- Governance statement (page 10 to 19)

The following sections are specific to each account:

- Accounts of the Donation and Bequests Account (page 20 to 26)
- Accounts of the Life and Other Annuities Warrant Account (page 27 to 32)
- Accounts of the Unclaimed Redemption Moneys Account (page 33 to 38)
- Accounts of the Unclaimed Stock and Dividends Account (page 39 to 45)

## **Foreword and management commentary**

### **Donations and Bequests Account**

The Donations and Bequests Account exists to deal with donations and bequests from the public that are for the purpose of reducing the national debt. It arose from section 8 of the National Debt Reduction Act 1823.

Bequests are handled by the Treasury Solicitor, who conducts all negotiations with executors and trustees, and then passes cash or government securities to the CRND. The cash held is used to buy gilts from the market for cancellation, which reduces the national debt.

The account presents the receipts, payments, and transactions in securities during the year ended 31 March 2021, and the net securities balance held at that date.

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.

Any cash received into the Donations and Bequests Account is held in a non-interest bearing account at the Bank of England.

During 2020-2021, the account received £565k of donations and bequests (2019-2020: £49k) and no dividends from gilt holdings (2019-2020: less than £1k). The cash received during the year was held on account at the Bank of England and no gilts were purchased (2019-2020: no gilt purchases). The CRND purchases gilts from time to time when it is considered most beneficial for reducing the national debt.

Historically, the CRND has purchased undated government securities into the Donations and Bequests Account for cancellation. Following HM Treasury's decision to redeem all outstanding undated government securities, the remaining undated government securities were redeemed on 6 July 2015. This caused the CRND to purchase non-undated government securities subsequent to this date. Since the cancellation of these non-undated government securities would have affected various market indices, from 6 July 2015 CRND has purchased gilts with a view to cancelling them only on maturity date.

At 31 March 2021, the cash balance held in the account was £807k (31 March 2020: £242k) and no government securities were held (31 March 2020: nil).

#### **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 Donations and Bequests Account in 2020-2021 was £2,400 (2019-2020: £2,160), which included £400 of irrecoverable VAT. The cost of the audit is accounted for within the DMO's agency vote and reported in the DMO Report and Accounts 2020-2021.

### **Life and Other Annuities Warrant Account**

The Life and Other Annuities Warrant Account is a non-statutory account that was opened by the CRND in 1885 for the purpose of paying life annuities which had been sold since 1808, although such annuities have not been sold since 1962. Sums are drawn quarterly from the National Loans Fund against a certificate from the CRND to meet payments due. Payments are then allocated to remaining annuitants directly, and to National Savings and Investments in respect of Savings Bank issued annuities. Where appropriate, tax is deducted and paid to HM Revenue and Customs. Where subsequently the annuity is not claimed, the related tax payments reclaimable from HM Revenue and Customs are deducted from later payments of tax.

This account presents the receipts and payments for the year ended 31 March 2021 and the balance held at that date. Annuitants may claim payments due within 3 years, and unclaimed payments are only returned to the National Loans Fund after this period. As a result, the amount received from the National Loans Fund does not generally equal the total payments in a given year.

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

Any cash in the Life and Other Annuities Warrant Account is held in a non-interest bearing account at the Bank of England.

During 2020-2021, the account received £1,675 (2019-2020: £3,135) from the National Loans Fund to pay annuitants. Returned funds from annuitants during the year were £473 (2019-2020: nil), of which, £407 (2019-2020: nil) was received from National Savings & Investments.

Payments made to annuitants during the year were £857 (2019-2020: £2,343), of which £425 (2019-2020: £585) was paid to National Savings & Investments for annuitants. Also, £402 (2019-2020: £469) was paid to HM Revenue & Customs for tax deducted from annuity payments.

At 31 March 2021, the balance held in the account was £1,464 (31 March 2020: £575), which was retained for operational purposes.

#### 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 Life and Other Annuities Warrant Account in 2020-2021 was £2,400 (2019-2020: £2,160), which included £400 of irrecoverable VAT. The cost of the audit is accounted for within the DMO's agency vote and reported in the DMO Report and Accounts 2020-2021.

### **Unclaimed Redemption Moneys Account**

The Unclaimed Redemption Moneys Account was opened in 1921 and comprises redemption moneys of HM Government securities that have remained unclaimed by any party for two years or more. In accordance with Section 5 (2-6) of the Miscellaneous Financial Provisions Act 1955 (the Act), unclaimed redemption moneys received from the registrar (Computershare Investor Services plc) are deposited with the National Loans Fund at a rate determined by HM Treasury. On a monthly basis, interest is calculated by the National Loans Fund and then paid directly to the Unclaimed Stock and Dividends Account.

This account shows the transactions of the CRND in respect of unclaimed redemption moneys. The account presents the receipts and payments and transactions in securities for the year ended 31 March 2021 and the balances held at that date.

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 2020-2021, the account received unclaimed redemption moneys of £254k (2019-2020: £636k) from the gilts registrar, and paid reclaimed moneys of £618k (2019-2020: £1,200k) to the gilts registrar.

By virtue of Section 5 (7) of the Act, the interest earned on the total holdings in the account was paid to the Unclaimed Stock and Dividends Account.

At 31 March 2021, the balance held in the account was £51,816k (31 March 2020: £52,180k), which represented unclaimed redemption moneys.

#### 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 Unclaimed Redemption Moneys Account in 2020-2021 was £2,400 (2019-2020: £2,160), which included £400 of irrecoverable VAT. The cost of the audit is accounted for within the DMO's agency vote and reported in the DMO Report and Accounts 2020-2021.

## **Unclaimed Stock and Dividends Account**

The CRND have been involved in the handling of unclaimed Government stock and dividends since 1816. Initially, any Government stock on which dividends had been unclaimed for 10 years was transferred to CRND and held in their Unclaimed Stock Account. That arrangement was discontinued in 1955 by Section 5(1) of the Miscellaneous Financial Provisions Act 1955 (the Act). However, stock previously transferred was retained, and dividends on it continued to be paid into the Unclaimed Stock and Dividends Account. These dividend payments stopped in 2016 however when the remaining stock was redeemed by HM Treasury.

The account now receives any dividends from the gilts registrar (Computershare Investor Services plc) that have been unclaimed for five years. The gilts registrar transfers the unclaimed dividends to CRND on or around 1 April and 1 October each year. The gilts registrar is responsible for validating claims for dividends including those that have been transferred to CRND as unclaimed for five years.

By virtue of Section 5(7) of the Act, the account also receives interest and dividends in respect of assets held by CRND's Unclaimed Redemption Moneys Account.

Assets are held as non-interest bearing demand deposits with the National Loans Fund. Annually, sums held in excess of £100,000 (or another amount as determined by HM Treasury) at 31 March are surrendered to the National Loans Fund in accordance with Section 5(9) of the Act.

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 2020-2021, no unclaimed dividends (2019-2020: nil) were transferred from the gilts registrar to the account. Also, £11k (2019-2020: £336k) was received from interest earned on the holdings in the Unclaimed Redemption Moneys Account and no previously surrendered funds were received from the National Loans Fund to fund payments of reclaimed dividends (2019-2020: £258k).

Reclaimed dividends of £24k (2019-2020: £270k) were transferred from the account to the gilts registrar during the year.

In accordance with legislation, £324k was surrendered to the National Loans Fund during the year (2019-2020: nil).

At 31 March 2021, the balance held in the account was £87k (31 March 2020: £424k), which represented accumulated unclaimed dividends retained by the account.

### **Audit arrangements**

The account is audited by the Comptroller and Auditor General under agreement by HM Treasury. The National Audit Office's fee for audit of the Unclaimed Stock and Dividends Account in 2020-2021 was £2,400 (2019-2020: £2,160), which included £400 of irrecoverable VAT. The cost of the audit is accounted for within the DMO's agency vote and reported in the DMO Report and Accounts 2020-2021.

## **All accounts**

### **Date of authorisation for issue**

The date of authorisation for issue is the date on which the Secretary and Comptroller General authorises the accounts for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

### **Jo Whelan**

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

4 November 2021

## **Statement of Secretary and Comptroller General's responsibilities**

### **Donations and Bequests Account**

Section 8 of the National Debt Reduction Act 1823 requires the Commissioners to prepare an annual account of monies received and applied with regard to the Donations and Bequests Account.

The Donations and Bequests Account is prepared on a cash basis and must properly present the receipts and payments for the year and net balance held on 31 March 2021.

### **Life and Other Annuities Warrant Account**

There is no statutory requirement for the production of an account. However, the Life and Other Annuities Warrant Account is prepared on a cash basis and must properly present the receipts and payments for the year and balances held on 31 March 2021.

### **Unclaimed Redemption Moneys Account**

There is no statutory requirement for the production of an account. However, the Unclaimed Redemption Moneys Account is prepared on a cash basis and must properly present the receipts and payments for the year and balances held on 31 March 2021.

### **Unclaimed Stock and Dividends Account**

There is no statutory requirement for the production of an account. However, the Unclaimed Stock and Dividends Account is prepared on a cash basis and must properly present the receipts and payments for the year and balances held on 31 March 2021.

### **All accounts**

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 comply with relevant legislation and has also elected to be consistent with certain 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
- confirm that the annual report and accounts as a whole are fair, balanced and understandable, and take personal responsibility for the annual report and accounts and the judgements required for determining they are fair, balanced and understandable.

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 accounts' assets.



**Disclosure to auditors**

As the Secretary and Comptroller General, 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 the auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

## **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 2020-2021 by the DMO Managing Board (the Board) which, in addition to the Secretary and Comptroller General, is comprised of:

Sir Robert Stheeman

DMO Chief Executive and Accounting Officer

Jim Juffs

Chief Operating Officer

Jessica Pulay

Co-Head of Policy and Markets

Tom Josephs

Non-executive HM Treasury representative

**Paul Fisher**

Non-executive director - During a 26 year career at the Bank of England, Paul Fisher served as a member of the Monetary Policy Committee from 2009 to 2014, the interim Financial Policy Committee from 2011 to 2013 and the PRA Board from 2015 to 2016. He has a number of current roles including Chair of the London Bullion Market Association.

**Paul Richards**

Non-executive director - During a 29 year career at Bank of America Merrill Lynch, Paul was MD of business in fixed income trading, Debt Capital Markets and Corporate Banking across Europe, the Americas and Asia Pacific. Following his retirement from banking, he spent 18 months as a senior consultant to the FCA. He is currently Chairman of Insignis, a FinTech company he launched in 2015.

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 undertook a self-evaluation of its performance led by a non-executive director in March 2021 and concluded that it has operated effectively in delivering the objectives set out in its Terms of Reference, and that the information used by the Board was accurate and relevant. Between formal reviews the Board considers its effectiveness on an ongoing basis. The Terms of Reference underwent a review by the Board in 2020.

**2020-2021 Managing Board activities**

Board meetings were held throughout 2020-2021 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:

<b>Managing Board</b>				
	Possible	Actual		
Sir Robert Stheeman	8	8		
Jo Whelan	8	8		
Jim Juffs	8	8		
Jessica Pulay	8	8		
Tom Josephs	8	7		
Paul Fisher	8	8	Possible	Actual
Paul Richards	8	8	6	6
Rodney Norman	n/a	n/a	6	6

**Audit Committee**

The Secretary and Comptroller General was supported during 2020-2021 by the Audit Committee on matters relating to risk, internal control and governance. The Audit Committee covers the activities of the DMO, Debt Management Account (DMA), PWLB lending facility and CRND. The members of the Audit Committee during 2020-2021 were:

Paul Fisher (Chairman)

Paul Richards

Rodney Norman

Audit Committee member - Rodney Norman was Finance Director of NS&I until 2018. Prior to that he was the Treasury Accountant at HM Treasury. This was preceded by a career in the City where he qualified as a Chartered Accountant with PWC and was Finance Director of the

Banking Division of Close Brothers. He is currently a non-executive director of the Pension Protection Fund, a non-executive member of the Audit and Risk Committee of the Army and a senior advisor to the Bank of England. Until recently he was a non-executive member of the Office of Rail and Road's Audit and Risk Committee.

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, the Head of Internal Audit, the Head of Finance, the Head of Risk, and the National Audit Office.

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

- The overall processes for risk, control and governance and the governance statement;
- Management assurances and appropriate actions to follow from internal and external audit findings, risk analysis and reporting undertaken;
- The financial control framework and supporting compliance culture;
- Accounting policies and material judgements, the accounts and the annual report and management's letter of representation to the external auditors;
- Whistleblowing arrangements for confidentially raising and investigating concerns over possible improprieties in the conduct of the DMO's business;
- Processes to protect against money laundering, fraud and corruption; and
- The planned activity and results of both internal and external audit.

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

- Impact of COVID-19, working from home and hybrid working arrangements;
- COVID-19 risk assessment and risk mitigation plan;
- UK leaving the European Union;
- DMO accommodation and data centres relocation;
- Human Resources processes and controls;
- Cyber security;
- Static data processes and controls and counterparty static data in the core trading system;
- User access rights in the core trading system;
- IT asset management and desktop support;
- Policies, departmental procedures and committee Terms of References;
- Anti-fraud policies and arrangements;
- Risk management framework;
- International Financial Reporting Standards (IFRS) 16; and
- IT change management process.

The Audit Committee covers a regular programme of agenda items, together with other current topics, and met six times during the year.

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 Management Review 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 Review Committee met four times in 2020-2021.

#### *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 most significant initiative monitored by the Business Delivery Committee during the year were the transition to remote working due to COVID-19, the accommodation relocation project and all data centre relocations.

The Business Delivery Committee met regularly (typically weekly) throughout 2020-2021.

#### *Risk Committees*

The Secretary and Comptroller General is informed by two risk committees covering operational risk and material change programmes. 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. The CMRC monitors and reviews the management of market, credit, and liquidity risk. The CMRC met seven times during 2020-2021.

#### *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 ORC also reviews and tracks the progress of actions identified by Internal Audit. The ORC'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 ORC has focused this year on IT & cyber security, hybrid working arrangements, business continuity planning and key supplier risks. The ORC met seven times during 2020-2021.

#### *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 Controls 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 Controls Group has also advised the DMO Accounting Officer on suitable mitigating action where appropriate.

During the year the Controls Group continued to review the controls in place for increased remote working arrangements. In addition, the Controls Group covered the risk assessment and risk mitigation plan for more staff returning to the office as the impact of COVID-19 subsides. Other topics reviewed included a review of access controls for the core trading system for CRND.

#### *Risk Management Unit*

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 presented to the Audit Committee at the start of each year and approved by the Audit Committee at the start of each quarter. All audits make a series of findings relating to control weaknesses. Progress against agreed management 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. 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 2020-2021, this included policies relating to misconduct escalation, procurement, information security, IT security, and remote working.

Staff are required to confirm 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 whistleblowing, anti-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.

During 2020-2021 no concerns were raised by staff under the DMO's whistleblowing policy relating to CRND.

## Key Developments

### COVID-19

The DMO has continued to actively review and refine its contingency arrangements to minimise the impact of COVID-19 as the situation develops. A robust assurance framework has been implemented to ensure the maintenance of control standards for critical operations in an environment where the majority of staff have been working remotely. The assurance framework was enhanced for a longer-term view.

The hybrid working group formulated the risk assessment and risk mitigation plans in ensuring the office premises remained COVID-19 secure and compliant with guidelines. A change in working arrangements whereby the majority of staff were working from home is a principal risk under the Risk Profile section.

### UK leaving the EU

During the year the DMO continued to work with HM Treasury and other stakeholders to identify, assess and raise awareness of potential direct and indirect impacts on all CRND operational activities. Various scenarios regarding the United Kingdom's exit from the European Union were considered, with early mitigating actions taken where possible.

## 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.

During the year the DMO has progressed initiatives to further strengthen the resilience and security of its IT network. The Public Service Network (PSN) accreditation was reconfirmed as a result of an IT health check.

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.

Arrangements to support CRND activities were in place throughout the year with the majority of staff working from home.

During the year, the most significant initiatives were the data centre relocations. All data centres are now physically separate from the main office location which increases resilience.

#### 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 could be the subject of an external attack on its IT systems and infrastructure.

The DMO, including CRND, 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. IT and data security risks continued to be a specific area of focus in 2020-2021 and the DMO's IT team have been enhancing the security environment and appropriateness of transaction systems and processes. The focus was in identifying and mitigating any changes to IT and data security risks as a result of increased remote working.

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 and internal attacks. During 2020-21 a comprehensive security configuration review for all major IT infrastructure, network and server changes was undertaken.

### Reliance on third parties

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

To mitigate the risk of failure of a key third party supplier the DMO undertakes regular corporate risk assessments of each key supplier in order to assess a range of factors including its financial strength and operational capacity and reliance on sub-contractors. The DMO has dedicated relationship managers who meet regularly with key suppliers and monitor performance against the agreed Service Level Agreements, where appropriate. The procurement manager and the vendor management group have been working to embed consistent standards of supplier management across account managers by improving visibility of key contracts and sharing best practice. The supplier of the new trading system, the new office landlord and the providers of the data centres have become key long-term partners.

During the year, more focus has been given to understanding any potential supply chain challenges from COVID-19 and the United Kingdom exiting the European Union.

### 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.

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.

The focus has been on enhanced compliance monitoring on transaction processing, in light of adjustments to processes to facilitate remote working.

This was the first full year of the operational running of the core trading systems. As with any new system, some issues were encountered but were all addressed swiftly with minimal impact resulting in greater operational resilience. Contingency processes worked successfully with other key systems also, for example the Bank of England TOLL System issue in November 2020, that resulted in manual payments being made as contingency for three working days.

## Hybrid working

In light of COVID-19, a change in working arrangements could lead to increased operational risks due to the majority of staff working from home.

During the year, remote working controls were put in place when hybrid working was urgently implemented in light of COVID-19. Controls continued to be adapted as new working practices evolved to ensure overall control standards were maintained. The robust control framework was reviewed by Internal Audit. The majority of meetings were conducted via secure conference and video calls to ensure governance and communication was maintained. Strategic planning continued for hybrid working to develop a long-term view of working practices and associated controls.

An independent external review confirmed the existing control framework as robust.

## 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 who have historically offered higher remuneration packages that are not subject to public sector remuneration policies.

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 which could result in process failures.

The DMO's Training and Development policy is designed to help ensure that staff have the right skills to meet its objectives.

The DMO follows the Civil Service Commission's recruitment principles and selection process to ensure vacancies are filled on merit on the basis of fair and open competition.

The DMO has a formal performance appraisal process and all staff are given clear and achievable objectives. 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 benchmarked annually to equivalent private sector pay levels in order to keep management aware of any significant disparities that are developing. During the year, particular consideration has been given to the issues faced by staff working increased hours due to increased market operations and additional I.T support needed as part of the transition to remote working. The DMO has a policy to recognise those staff who have performed well in their roles through the payment of one-off non-consolidated performance related awards. Any awards are assessed annually by the DMO PRT (Performance Review Team). They are determined by individual performance and criteria associated with the DMO's performance management process, which are also 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. This has been an effective conduit for wider communication and consultation with all staff.

On an annual basis all DMO staff are given the opportunity to take part in the Civil Service People survey. Any issues raised via this route, with suggested mitigating action if required, are considered by the Accounting Officer and the Board.

The DMO was reaccredited as an Investor in People in 2017.

## **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 2020-2021. 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, 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. Comments made by the external auditors in their management letter and other relevant reports have also informed this review.

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 2020-2021, 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

4 November 2021

# Accounts of the Donations and Bequests Account

Year ended 31 March 2021

Independent Auditor's Report to the Commissioners for the Reduction of the National Debt	21
Receipts and payments	25
Statement of balances	25
Notes to the accounts	26

## **THE REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE COMMISSIONERS FOR THE REDUCTION OF THE NATIONAL DEBT**

### **Opinion on financial statements**

I certify that I have audited the financial statements of the Donations and Bequests Account for the year ended 31 March 2021. The financial statements comprise: the Receipts and Payments, the Statement of Balances and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

In my opinion:

- the financial statements properly present the receipts and payments of Donations and Bequests Account for the year ended 31 March 2021; and
- the financial statements have been properly prepared in accordance with the National Debt Reduction Act 1823 and HM Treasury directions issued thereunder.

### **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.

### **Basis for opinions**

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law 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 report.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Donations and Bequests Account in accordance with the ethical requirements that are relevant to my audit of 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.

### **Other Information**

The other information comprises information included in the Foreword and management commentary, but does not include the parts of the Foreword and management commentary described in that report as having been audited, the financial statements and my auditor's report thereon. The Secretary and Comptroller General is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 Foreword and management commentary to be audited have been properly prepared in accordance with HM Treasury directions made under the National Debt Reduction Act 1823; and
- the information given in the Foreword and management commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and have been prepared in accordance with the applicable legal requirements.

## **Matters on which I report by exception**

In the light of the knowledge and understanding of the Donations and Bequests Account and its environment obtained in the course of the audit, I have not identified material misstatements in the Foreword and management commentary. 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 Foreword and management commentary 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.

## **Responsibilities of the Commissioners and the Secretary and Comptroller General for the financial statements**

As explained more fully in the Statement of Secretary and Comptroller General's Responsibilities, the Commissioners and the Secretary and Comptroller General are responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Commissioners and Secretary and Comptroller General determine are necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.

## **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit and express an opinion on the financial statements.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- inquiring of management, the Donations and Bequests Account's head of internal audit

and those charged with governance, including obtaining and reviewing supporting documentation relating to the Donations and Bequests Account policies and procedures relating to:

- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Donations and Bequests Account's controls relating to National Debt Reduction Act 1823.
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and bias in managements estimates and review of significant transactions that are unusual or outside the normal course of business;
  - obtaining an understanding of the Donations and Bequests Account's framework of authority as well as other legal and regulatory frameworks that the Donations and Bequests Account operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Donations and Bequests Account. The key laws and regulations I considered in this context included the National Debt Reduction Act 1823 and Managing Public Money; and
  - risk assessment procedures performed relating to fraud, non-compliance with laws and regulations and regularity.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the Audit Committee concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- other audit procedures responsive to the risk of fraud, non-compliance with laws and regulation or irregularity as appropriate including reviewing transactions for unusual trading activities or payments, confirming that transactions are in line with the activities permitted under the National Debt Reduction Act 1823 and making enquiries of those charged with governance.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my report.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the receipts and payments reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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.

### **Report**

I have no observations to make on these financial statements.

**James Edmands**

**Date 5 November 2021**

For and on behalf of the

**Comptroller and Auditor General**

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP



## Donations and Bequests Account Receipts and payments

For the year ended 31 March 2021

	2021 £	2020 £
<b>Cash receipts</b>		
From donations or bequests	565,349	48,957
Dividends from gilt holdings	-	123
<b>Cash payments</b>		
Securities purchased	-	-
<b>Excess of receipts over payments</b>	<b>565,349</b>	<b>49,080</b>

## Statement of balances

As at 31 March 2021

	2021 £	2020 £
Balance at beginning of year	242,039	192,959
Net movement in year	565,349	49,080
<b>Balance at end of year</b>	<b>807,388</b>	<b>242,039</b>

The notes on page 26 are an integral part of these accounts

**Jo Whelan**

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

4 November 2021

## **Notes to the accounts**

### **1. Deposits with the Bank of England**

Any cash received into the Donations and Bequests Account is held in a non-interest bearing account at the Bank of England.

# Accounts of the Life and Other Annuities Warrant Account

Year ended 31 March 2021

Independent Auditor's Report to the Commissioners for the Reduction of the National Debt	28
Receipts and payments	32
Statement of balances	32
Notes to the accounts	32

## **THE REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE COMMISSIONERS FOR THE REDUCTION OF THE NATIONAL DEBT**

### **Opinion on financial statements**

I certify that I have audited the financial statements of the Life and Other Annuities Warrant Account for the year ended 31 March 2021. The financial statements comprise: the Receipts and Payments, the Statement of Balances and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

In my opinion:

- the financial statements properly present the receipts and payments of Life and Other Annuities Warrant Account for the year ended 31 March 2021; and
- the financial statements have been properly prepared in accordance with the National Debt Reduction Act 1823 and HM Treasury directions issued thereunder.

### **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.

### **Basis for opinions**

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law 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 report.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Life and Other Annuities Warrant Account in accordance with the ethical requirements that are relevant to my audit of 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.

### **Other Information**

The other information comprises information included in the Foreword and management commentary, but does not include the parts of the Foreword and management commentary described in that report as having been audited, the financial statements and my auditor's report thereon. The Secretary and Comptroller General is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 Foreword and management commentary to be audited have been properly prepared in accordance with HM Treasury directions made under the National Debt Reduction Act 1823; and
- the information given in the Foreword and management commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and have been prepared in accordance with the applicable legal requirements.

## **Matters on which I report by exception**

In the light of the knowledge and understanding of the Life and Other Annuities Warrant Account and its environment obtained in the course of the audit, I have not identified material misstatements in the Foreword and management commentary. 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 Foreword and management commentary 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.

## **Responsibilities of the Commissioners and the Secretary and Comptroller General for the financial statements**

As explained more fully in the Statement of Secretary and Comptroller General's Responsibilities, the Commissioners and the Secretary and Comptroller General are responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Commissioners and Secretary and Comptroller General determine are necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.

## **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit and express an opinion on the financial statements.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- inquiring of management, the Life and Other Annuities Warrant Account's head of

internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Life and Other Annuities Warrant Account policies and procedures relating to:

- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Life and Other Annuities Warrant Account's controls relating to National Debt Reduction Act 1823.
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and bias in managements estimates and review of significant transactions that are unusual or outside the normal course of business;
  - obtaining an understanding of the Life and Other Annuities Warrant Account's framework of authority as well as other legal and regulatory frameworks that the Life and Other Annuities Warrant Account operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Life and Other Annuities Warrant Account. The key laws and regulations I considered in this context included the National Debt Reduction Act 1823 and Managing Public Money; and
  - risk assessment procedures performed relating to fraud, non-compliance with laws and regulations and regularity.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the Audit Committee concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- other audit procedures responsive to the risk of fraud, non-compliance with laws and regulation or irregularity as appropriate including reviewing transactions for unusual trading activities or payments, confirming that transactions are in line with the activities permitted under the National Debt Reduction Act 1823 and making enquiries of those charged with governance.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my report.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the receipts and payments reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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.

### **Report**

I have no observations to make on these financial statements.

**James Edmands**

**Date 5 November 2021**

For and on behalf of the

**Comptroller and Auditor General**

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

## Life and Other Annuities Warrant Account Receipts and payments

For the year ended 31 March 2021

	2021 £	2020 £
<b>Cash receipts</b>		
From the National Loans Fund for annuitants	1,675	3,135
Returned from annuitants	66	-
Returned from National Savings & Investments	407	-
	<b>2,148</b>	<b>3,135</b>
<b>Cash payments</b>		
To annuitants	432	1,758
To National Savings & Investments for annuitants	425	585
To HM Revenue & Customs for tax deducted on annuity payments	402	469
	<b>1,259</b>	<b>2,812</b>
<b>Excess of receipts over payments</b>	<b>889</b>	<b>323</b>

## Statement of balances

As at 31 March 2021

	2021 £	2020 £
Balance at beginning of year	575	252
Net movement in year	889	323
<b>Balance at end of year</b>	<b>1,464</b>	<b>575</b>

**Jo Whelan**

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

4 November 2021

## Notes to the accounts

### 1. Deposits with the Bank of England

Any cash in the Life and Other Annuities Warrant Account is held in a non-interest bearing account at the Bank of England.



# Accounts of the Unclaimed Redemption Moneys Account

Year ended 31 March 2021

Independent Auditor's Report to the Commissioners for the Reduction of the National Debt	34
Receipts and payments	38
Statement of balances	38
Notes to the accounts	38

## **THE REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE COMMISSIONERS FOR THE REDUCTION OF THE NATIONAL DEBT**

### **Opinion on financial statements**

I certify that I have audited the financial statements of the Unclaimed Redemption Moneys Account for the year ended 31 March 2021. The financial statements comprise: the Receipts and Payments, the Statement of Balances and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

In my opinion:

- the financial statements properly present the receipts and payments of Unclaimed Redemption Moneys Account for the year ended 31 March 2021; and
- the financial statements have been properly prepared in accordance with the National Debt Reduction Act 1823 and HM Treasury directions issued thereunder.

### **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.

### **Basis for opinions**

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law 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 report.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Unclaimed Redemption Moneys Account in accordance with the ethical requirements that are relevant to my audit of 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.

### **Other Information**

The other information comprises information included in the Foreword and management commentary, but does not include the parts of the Foreword and management commentary described in that report as having been audited, the financial statements and my auditor's report thereon. The Secretary and Comptroller General is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 Foreword and management commentary to be audited have been properly prepared in accordance with HM Treasury directions made under the National Debt Reduction Act 1823; and
- the information given in the Foreword and management commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and have been prepared in accordance with the applicable legal requirements.

## **Matters on which I report by exception**

In the light of the knowledge and understanding of the Unclaimed Redemption Moneys Account and its environment obtained in the course of the audit, I have not identified material misstatements in the Foreword and management commentary. 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 Foreword and management commentary 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.

## **Responsibilities of the Commissioners and the Secretary and Comptroller General for the financial statements**

As explained more fully in the Statement of Secretary and Comptroller General's Responsibilities, the Commissioners and the Secretary and Comptroller General are responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Commissioners and Secretary and Comptroller General determine are necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.

## **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit and express an opinion on the financial statements.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- inquiring of management, the Unclaimed Redemption Moneys Account's head of

internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Unclaimed Redemption Moneys Account policies and procedures relating to:

- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Unclaimed Redemption Moneys Account's controls relating to National Debt Reduction Act 1823.
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and bias in managements estimates and review of significant transactions that are unusual or outside the normal course of business;
  - obtaining an understanding of the Unclaimed Redemption Moneys Account's framework of authority as well as other legal and regulatory frameworks that the Unclaimed Redemption Moneys Account operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Unclaimed Redemption Moneys Account. The key laws and regulations I considered in this context included the National Debt Reduction Act 1823 and Managing Public Money; and
  - risk assessment procedures performed relating to fraud, non-compliance with laws and regulations and regularity.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the Audit Committee concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- other audit procedures responsive to the risk of fraud, non-compliance with laws and regulation or irregularity as appropriate including reviewing transactions for unusual trading activities or payments, confirming that transactions are in line with the activities permitted under the National Debt Reduction Act 1823 and making enquiries of those charged with governance.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my report.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the receipts and payments reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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.

### **Report**

I have no observations to make on these financial statements.

**James Edmands**

**Date 5 November 2021**

For and on behalf of the

**Comptroller and Auditor General**

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

## Unclaimed Redemption Moneys Account Receipts and payments

For the year ended 31 March 2021

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
<b>Cash receipts</b>		
Unclaimed redemption moneys from registrar	254	636
<b>Cash payments</b>		
Reclaimed redemption moneys to registrar	618	1,200
<b>Excess of payments over receipts</b>	<b>(364)</b>	<b>(564)</b>

## Statement of balances

As at 31 March 2021

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Balance at the beginning of year	52,180	52,744
Net movement in year	(364)	(564)
<b>Balance at the end of year</b>	<b>51,816</b>	<b>52,180</b>

### Jo Whelan

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

4 November 2021

## Notes to the accounts

### 1. Deposits with the National Loans Fund

Unclaimed redemption moneys received from the registrar were held in demand deposits with the National Loans Fund at a rate determined by HM Treasury. On a monthly basis, interest was calculated by the National Loans Fund and then paid directly to the Unclaimed Stock and Dividends account.

# Accounts of the Unclaimed Stock and Dividends Account

Year ended 31 March 2021

Independent Auditor's Report to the Commissioners for the Reduction of the National Debt	40
Receipts and payments	44
Statement of balances	44
Notes to the accounts	45

## **THE REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE COMMISSIONERS FOR THE REDUCTION OF THE NATIONAL DEBT**

### **Opinion on financial statements**

I certify that I have audited the financial statements of the Unclaimed Stock and Dividends Account for the year ended 31 March 2021. The financial statements comprise: the Receipts and Payments, the Statement of Balances and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

In my opinion:

- the financial statements properly present the receipts and payments of Unclaimed Stock and Dividends Account for the year ended 31 March 2021; and
- the financial statements have been properly prepared in accordance with the National Debt Reduction Act 1823 and HM Treasury directions issued thereunder.

### **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.

### **Basis for opinions**

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law 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 report.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Unclaimed Stock and Dividends Account in accordance with the ethical requirements that are relevant to my audit of 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.

### **Other Information**

The other information comprises information included in the Foreword and management commentary, but does not include the parts of the Foreword and management commentary described in that report as having been audited, the financial statements and my auditor's report thereon. The Secretary and Comptroller General is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 Foreword and management commentary to be audited have been properly prepared in accordance with HM Treasury directions made under the National Debt Reduction Act 1823; and
- the information given in the Foreword and management commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and have been prepared in accordance with the applicable legal requirements.

## **Matters on which I report by exception**

In the light of the knowledge and understanding of the Unclaimed Stock and Dividends Account and its environment obtained in the course of the audit, I have not identified material misstatements in the Foreword and management commentary. 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 Foreword and management commentary 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.

## **Responsibilities of the Commissioners and the Secretary and Comptroller General for the financial statements**

As explained more fully in the Statement of Secretary and Comptroller General's Responsibilities, the Commissioners and the Secretary and Comptroller General are responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Commissioners and Secretary and Comptroller General determine are necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.

## **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit and express an opinion on the financial statements.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- inquiring of management, the Unclaimed Stock and Dividends Account's head of

internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Unclaimed Stock and Dividends Account policies and procedures relating to:

- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Unclaimed Stock and Dividends Account's controls relating to National Debt Reduction Act 1823.
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and bias in managements estimates and review of significant transactions that are unusual or outside the normal course of business;
  - obtaining an understanding of the Unclaimed Stock and Dividends Account's framework of authority as well as other legal and regulatory frameworks that the Unclaimed Stock and Dividends Account operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Unclaimed Stock and Dividends Account. The key laws and regulations I considered in this context included the National Debt Reduction Act 1823 and Managing Public Money; and
  - risk assessment procedures performed relating to fraud, non-compliance with laws and regulations and regularity.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the Audit Committee concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- other audit procedures responsive to the risk of fraud, non-compliance with laws and regulation or irregularity as appropriate including reviewing transactions for unusual trading activities or payments, confirming that transactions are in line with the activities permitted under the National Debt Reduction Act 1823 and making enquiries of those charged with governance.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my report.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the receipts and payments reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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.

### **Report**

I have no observations to make on these financial statements.

**James Edmands**

**Date 5 November 2021**

For and on behalf of the

**Comptroller and Auditor General**

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

## Unclaimed Stock and Dividends Account Receipts and payments

For the year ended 31 March 2021

	Note	2021 £000	2020 £000
<b>Cash receipts</b>			
Unclaimed dividends transferred from the gilts registrar		-	-
Interest on assets held by Unclaimed Redemption Moneys Account		11	336
Return of excess previously surrendered to the National Loans Fund		-	258
		<u>11</u>	<u>594</u>
<b>Cash payments</b>			
Reclaimed dividends returned to the gilts registrar		24	270
Excess surrendered to the National Loans Fund	1	324	-
		<u>348</u>	<u>270</u>
<b>Excess of (payments over receipts)/receipts over payments</b>		<u><u>(337)</u></u>	<u><u>324</u></u>

## Statement of balances

As at 31 March 2021

	Note	2021 £000	2020 £000
Balance at beginning of year		424	100
Net movement in year		(337)	324
<b>Balance at end of year</b>	2	<u><u>87</u></u>	<u><u>424</u></u>

The notes on page 45 are an integral part of these accounts.

**Jo Whelan**

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

4 November 2021

## Notes to the accounts

### 1. Payments to the National Loans Fund

Under section 5(9) of the Miscellaneous Financial Provisions Act 1955, as amended by Schedule 5 to the National Loans Act 1968, total sums held in excess of £100,000 (or another amount as determined by HM Treasury) at 31 March are surrendered to the National Loans Fund.

During 2020-2021, the account surrendered £324k in respect of 2019-2020 in accordance with legislation. At 31 March 2021, total sums held in excess of £100,000, and therefore expected to be surrendered to the National Loans Fund in 2021-2022, is nil.

### 2. Deposits and securities held at year end

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
<b>In respect of unclaimed dividends</b>		
Deposits		
Deposits with the National Loans Fund	87	424
<b>In respect of unclaimed stocks</b>		
Government and Government guaranteed securities	-	-
	<b>87</b>	<b>424</b>

Demand deposits with the National Loans Fund, which are interest-free, are funds deposited with the Bank of England and swept overnight into the National Loans Fund.