



United Kingdom
Debt Management
Office

Commissioners for the Reduction of the National Debt

**Annual Report and Accounts of the
CRND receipts and payments accounts
2019-2020**



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Introduction

What this document covers

The Commissioners for the Reduction of the National Debt (CRND) is a statutory entity within the UK 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 2020:

- 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 25)
- Accounts of the Life and Other Annuities Warrant Account (page 26 to 30)
- Accounts of the Unclaimed Redemption Moneys Account (page 31 to 35)
- Accounts of the Unclaimed Stock and Dividends Account (page 36 to 41)

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 2020, 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 2019-2020, the account received £49k of donations and bequests (2018-2019: £11k) and less than £1k of dividends from gilt holdings (2018-2019: less than £1k). The cash received during the year was held on account at the Bank of England and no gilts were purchased (2018-2019: nil 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 2020, the cash balance held in the account was £242k (31 March 2019: £193k) and no government securities were held (31 March 2019: £14k (nominal) of 1.75% Treasury Gilt 2019).

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 2019-2020 was £2,160 (2018-2019: £2,040), which included £360 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 2019-2020.

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 (NLF) 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 (HMRC). Where subsequently the annuity is not claimed, the related tax payments reclaimable from HMRC are deducted from later payments of tax.

This account presents the receipts and payments for the year ended 31 March 2020 and the balance held at that date. Annuitants may claim payments due within 3 years, and unclaimed payments are only returned to the NLF after this period. As a result, the amount received from the NLF 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 2019-2020, the account received £3,135 (2018-2019: £2,408) from the NLF to pay annuitants. The account also received no receipts (2018-2019: £247) from National Savings & Investments relating to previous annuity payments which went unclaimed and so were returned to the Life and Other Annuities Warrant Account.

Payments made to annuitants during the year were £2,343 (2018-2019: £2,060), of which £585 (2018-2019: £551) was paid to National Savings & Investments for annuitants. Also, £469 (2018-2019: £403) was paid to HM Revenue & Customs for tax deducted from annuity payments. Additionally, no payments were returned to the NLF in respect of annuities that had not been claimed for three years (2018-2019: £300).

At 31 March 2020, the balance held in the account was £575 (31 March 2019: £252), 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 2019-2020 was £2,160 (2018-2019: £2,040), which included £360 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 2019-2020.

Unclaimed Redemption Moneys Account

The Unclaimed Redemption Moneys Account (URMA) was opened in 1921 and comprises redemption moneys of 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 NLF at a rate determined by HM Treasury. On a monthly basis, interest is calculated by the NLF 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 2020 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 2019-2020, the account received unclaimed redemption moneys of £636k (2018-2019: £821k) from the gilts registrar, and paid reclaimed moneys of £1,200k (2018-2019: £2,208k) 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 2020, the balance held in the account was £52,180k (31 March 2019: £52,744k), 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 2019-2020 was £2,160 (2018-2019: £2,040), which included £360 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 2019-2020.

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.

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 NLF and as undated stock from pre-1955, such as annuities. Annually, sums held in excess of £100,000 (or another amount as determined by HM Treasury) at 31 March, not including the Unclaimed Stocks, are surrendered to the NLF 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 2019-2020, no unclaimed dividends (2018-2019: less than £1k) were transferred from the gilts registrar to the account and no cash (2018-2019: nil) was received from dividends on unclaimed stock as all stocks held had been redeemed. Also, £336k (2018-2019: £287k) was received from interest earned on the holdings in the Unclaimed Redemption Moneys Account and £258k (2018-2019: nil) of previously surrendered funds were received from the NLF to fund payments of reclaimed dividends.

Reclaimed dividends of £270k (2018-2019: £763k) were transferred from the account to the gilts registrar during the year.

In accordance with legislation, no funds were surrendered to the NLF during the year (2018-2019: £2,331k).

At 31 March 2020, the balance held in the account was £424k (31 March 2019: £100k), 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 2019-2020 was £2,160 (2018-2019: £2,040), which included £360 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 2019-2020.

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

22 September 2020

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 2020.

Life and Other Annuities Warrant Account

The Commissioners use the Life and Other Annuities Warrant Account to pay unexpired life annuities.

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 2020.

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 2020.

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 2020.

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 2019-2020 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

Richard Hughes (until 30 April 2019)

Non-executive HM Treasury representative

Tom Josephs (from 2 September 2019)

Non-executive HM Treasury representative

Brian Duffin (until 31 December 2019)

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

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 (from 13 May 2019)

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 last undertook a self-evaluation of its performance led by a non-executive director in December 2017 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.

2019-2020 Managing Board activities

Board meetings were held throughout 2019-2020 and covered regular agenda items, including risk management, staffing and progress against the operational business plan.

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

Managing Board		Audit Committee		
	Possible	Actual		
Sir Robert Stheeman	8	8		
Jo Whelan	8	8		
Jim Juffs	8	8		
Jessica Pulay	8	8		
Richard Hughes	1	0		
Tom Josephs	5	5	Possible	Actual
Brian Duffin	6	6	3	3
Paul Fisher	8	8	4	4
Paul Richards	7	7	3	3
Caroline Mawhood	n/a	n/a	2	2
Rodney Norman	n/a	n/a	2	2

Audit Committee

The Secretary and Comptroller General was supported during 2019-2020 by the Audit Committee on matters relating to risk, internal control and governance. The members of the Audit Committee during 2019-2020 were:

Paul Fisher (Chairman from 1 January 2020)

Brian Duffin (Chairman and Audit Committee member until 31 December 2019)

Paul Richards (from 13 May 2019)

Caroline Mawhood (until 30 June 2019) – Caroline Mawhood was an Assistant Auditor General at the National Audit Office until 2009 and President of the Chartered Institute of Public Finance and Accountancy for 2008-2009. She is a non-executive member of Audit Committee of the Corporation of London and its Performance and Resource Management Sub (Police) Committee and one of three external members of the Audit Progress Committee of the European Commission. She is also a trustee of the Wimbledon Guild charity.

Rodney Norman (from 1 July 2019) - 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 Office of Rail and Road and is a senior advisor to the Bank of England.

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 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:

- Trading Systems Replacement Project;
- DMO Accommodation and Data Centres review;
- Reform to the governance of the PWLB;
- Cyber Security;

- Disclosure of Market Sensitive Information;
- Data Governance, Protection and Reporting;
- Processes and Controls to Mitigate Internal and External Fraud;
- Follow up on Management Actions arising from previous Internal Audit Reports;
- Security Clearance Requirements and Adherence;
- Governance and Remit over Contractors;
- Health and Safety;
- Anti-Money Laundering Arrangements;
- Reporting Requirements to the Information Commissioner's Office (ICO);
- Risk Management Framework; and
- International Financial Reporting Standards (IFRS) 9, 15 and 16.

The Audit Committee covers a regular programme of agenda items, together with other current topics, and met four 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 2019-2020.

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 was the project to implement a trading systems replacement including those used to process CRND transactions.

The Business Delivery Committee met regularly (typically weekly) throughout 2019-2020.

Risk Committees

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

Risk management and internal control

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

CRND is managed within the wider DMO system of internal control which is based upon what the DMO Accounting Officer, with the support of the Board, considers to be appropriate, taking account of the DMO's activities, the materiality of risks inherent in those activities and

the relative costs and benefits of implementing specific controls to mitigate those risks. The DMO's position differs to that of a commercial organisation in that it must always be in a position to transact the underlying business required to meet its remit. As a result the risks associated with this activity cannot be avoided and the system of internal control can only provide reasonable assurance against failure to achieve aims and objectives.

The Risk and Control Framework

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

First line of defence:

Day-to-day management of risk is the responsibility of management staff within business areas. The DMO considers effective risk management to be central to its operations and fosters a risk aware culture in which all members of staff, including Board members, are encouraged to understand and own the risks that are inherent in those operations. In particular the DMO seeks to promote an environment in which staff feel comfortable to identify new risks and changes in previously identified risks, as well as weaknesses so that these may be assessed and appropriate mitigating actions put in place.

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

Second line of defence:

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

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

Credit and Market Risk Committee

The Credit and Market Risk Committee (CMRC) meets on a regular basis, with more frequent meetings held when required, for example during times of market stress. The CMRC monitors and reviews the management of market, credit, and liquidity risk. It sets limits across a range of exposures including counterparties, countries, and instruments held as collateral as well as setting absolute limits on net daily flows across the DMA. The CMRC met six times during 2019-2020.

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 supplier risk, data protection awareness, cyber security and business continuity planning. The ORC met six times during 2019-2020.

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 review work has covered process and control changes as a result of the DMO's trading system replacement, including access control of permissions 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.

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 2019-2020, this included policies relating to anti-fraud, telephony and voice recording, remote access, clear desk, health & safety and spreadsheet controls.

Staff are required to signify that they have read and accepted the DMO's rules on personal dealing and the DMO's policy on the use of information systems and technology, and that they are aware of, and will continue to keep up to date with, the DMO's policies on 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 2019-2020 no concerns were raised by staff under the DMO's whistleblowing policy relating to CRND.

Key Developments

UK leaving the EU

During the year the DMO has continued to work with HM Treasury and other stakeholders to identify, assess and raise awareness of potential indirect impacts on CRND activities resulting from delays to the United Kingdom's expected exit from the European Union and take mitigating actions where possible.

Trading Systems Replacement Project

The Trading Systems Replacement Project has been a significant multi-year project for the DMO which aims to update its IT systems for deal input, settlement, risk management and accounting, as well as to simplify the current transaction processing architecture. During 2019-2020 focus of the implementation stage of the project has been on the design, build and testing of the new systems and processes. The project has been overseen through an established governance framework in order to maintain the strength and resilience of all operational processes and to make improvements where appropriate. Following the successful implementation, the Controls Group have been tracking the resolution of areas that were subject to workarounds, as well as the benefits realisation of streamlined processes. Automated processes will continue to be monitored and system performance has also been a key oversight control.

COVID-19

The DMO has been actively reviewing and strengthening its contingency arrangements in order to minimise the impact of the COVID-19 outbreak on its core activities. 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 are working remotely.

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

IT systems and infrastructure

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

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.

Reliance on third parties

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

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.

Mitigation and management

During the year the DMO has progressed initiatives to further strengthen the resilience and security of its IT network. The trading systems replacement went live in August 2019 in which operational efficiencies and improved resilience were achieved. 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.

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 2019-2020 and the DMO's IT team have been enhancing the security environment and appropriateness of transaction systems and processes.

Risks to data and information held by the DMO are owned and managed by designated Information Asset Owners. The DMO has a Senior Information Risk Owner (SIRO) who is responsible for the information risk policy and the assessment of information risks. The SIRO is a member of the Board and provides advice to Board members on the management of information risk.

The DMO has put in place several layers to defend against external attack and its infrastructure undergoes an annual penetration test. This year continued the embedding of the General Data Protection Regulation (GDPR) which came into force in May 2018. This included additional training and awareness for all staff and reviewing existing controls for data protection.

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 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, sharing best practice to ensure relationships start on a firm footing.

The supplier of the new trading system will become a key long-term partner. During the year more focus has been given to monitoring compliance with current policies and procedures.

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 main focus of improvements to transaction processing has been the trading system implementation which covers the full trade life-cycle.

People risk

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

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

DMO recruitment policies help ensure that individuals with the appropriate level of skill and experience are appointed at all levels within the organisation. This helps mitigate the level of human error resulting in process failures.

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

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

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

Salaries are reviewed annually, taking account of benchmarks derived from equivalent private sector pay levels. During the year particular consideration has been given to the issues faced by staff working increased hours and weekends on the programme to strengthen IT infrastructure. The DMO has a policy to recognise those staff who have performed well in their roles through the payment of one-off performance related awards. Any awards are assessed annually by the DMO Pay Committee, are determined by individual performance and criteria associated with the DMO's performance management process and are aligned to the policy for public sector pay.

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

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

The DMO 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 2019-2020. This review included an assessment of any material risk and control issues identified and reported during the relevant period.

My review has been informed by the advice of the risk committees and by the work of the internal auditors and the executive managers within the DMO, who have been delegated

responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

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

In 2019-2020, 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

22 September 2020

Accounts of the Donations and Bequests Account

Year ended 31 March 2020

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INDEPENDENT AUDITOR'S REPORT 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 2020. The financial statements comprise: Receipts and Payments, the Statement of Balances, and the related notes. These financial statements have been prepared under the accounting policies set out within the Foreword and management commentary.

In my opinion:

- the financial statements properly present the receipts and payments of Donations and Bequests Account for the year ended 31 March 2020, and of the balances held at that date; and
- the financial statements have been properly prepared in accordance with the National Debt Reduction Act 1823.

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 of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Commissioners for the Reduction of the National Debt in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

As explained more fully in the Statement of Secretary and Comptroller General's Responsibilities, the Commissioners are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. They have appointed the Secretary and Comptroller General to discharge these responsibilities.

Auditor's responsibilities for the audit of the financial statements

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commissioners' internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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

Other information

The Secretary and Comptroller General is responsible for the other information. The other information comprises information included in the Annual Report and Accounts, other than 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. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- in light of the knowledge and understanding of the Commissioners for the Reduction of the National Debt the company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Foreword and management commentary; 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.

Matters on which I report by exception

I have nothing to report in respect of the following matters where the Companies Act 2006 requires me to 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.

James Edmands

23 September 2020

For and on behalf of the
Comptroller and Auditor General (Statutory Auditor)
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 2020

	2020 £	2019 £
Cash receipts		
From donations or bequests	48,957	11,069
Dividends from gilt holdings	123	245
Cash payments		
Securities purchased	-	-
Excess of receipts over payments	49,080	11,314

Statement of balances

As at 31 March 2020

	2020 £	2019 £
Balance at beginning of year	192,959	181,645
Net movement in year	49,080	11,314
Balance at end of year	242,039	192,959

The Donations and Bequests Account also held gilts at 31 March 2019, which were cancelled on maturity on 22 July 2019. Note 1 provides a list of these gilt holdings.

The notes on page 25 are an integral part of these accounts

Jo Whelan

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

22 September 2020

Notes to the accounts

1. Securities held for cancellation on maturity

	2020 Nominal £	2019 Nominal £
1.75% Treasury Gilt 2019	-	14,006
	<hr/> -	<hr/> 14,006

1.75% Treasury Gilt 2019 matured on 22 July 2019.

2. 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 2020

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INDEPENDENT AUDITOR'S REPORT 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 2020. The financial statements comprise: Receipts and Payments, the Statement of Balances, and the related notes. These financial statements have been prepared under the accounting policies set out within the Foreword and management commentary.

In my opinion:

- the financial statements properly present the receipts and payments of the Life and Other Annuities Warrant Account for the year ended 31 March 2020, and of the balances held at that date; and
- the financial statements have been properly prepared in accordance with the National Debt Reduction Act 1823.

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 of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Commissioners for the Reduction of the National Debt in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

As explained more fully in the Statement of Secretary and Comptroller General's Responsibilities, the Commissioners are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. They have appointed the Secretary and Comptroller General to discharge these responsibilities.

Auditor's responsibilities for the audit of the financial statements

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commissioners' internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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

Other information

The Secretary and Comptroller General is responsible for the other information. The other information comprises information included in the Annual Report and Accounts, other than 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. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- in light of the knowledge and understanding of the Commissioners for the Reduction of the National Debt the company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Foreword and management commentary; 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.

Matters on which I report by exception

I have nothing to report in respect of the following matters where the Companies Act 2006 requires me to 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.

James Edmands

23 September 2020

For and on behalf of the
Comptroller and Auditor General (Statutory Auditor)
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 2020

	2020 £	2019 £
Cash receipts		
From the National Loans Fund for annuitants	3,135	2,408
Payments reverted from National Savings & Investments	-	247
	3,135	2,655
Cash payments		
To annuitants	1,758	1,509
To National Savings & Investments for annuitants	585	551
To HM Revenue & Customs for tax deducted on annuity payments	469	403
Unclaimed amounts returned to the National Loans Fund	-	300
	2,812	2,763
Excess of receipts over payments/(payments over receipts)	323	(108)

Statement of balances

As at 31 March 2020

	2020 £	2019 £
Balance at beginning of year	252	360
Net movement in year	323	(108)
Balance at end of year	575	252

Jo Whelan

Secretary and Comptroller General to the Commissioners for the Reduction of the National Debt
22 September 2020

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 2020

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INDEPENDENT AUDITOR'S REPORT 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 2020. The financial statements comprise: Receipts and Payments, the Statement of Balances, and the related notes. These financial statements have been prepared under the accounting policies set out within the Foreword and management commentary.

In my opinion:

- the financial statements properly present the receipts and payments of the Unclaimed Redemption Moneys Account for the year ended 31 March 2020, and of the balances held at that date; and
- the financial statements have been properly prepared in accordance with the National Debt Reduction Act 1823.

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 of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Commissioners for the Reduction of the National Debt in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

As explained more fully in the Statement of Secretary and Comptroller General's Responsibilities, the Commissioners are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. They have appointed the Secretary and Comptroller General to discharge these responsibilities.

Auditor's responsibilities for the audit of the financial statements

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commissioners' internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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

Other information

The Secretary and Comptroller General is responsible for the other information. The other information comprises information included in the Annual Report and Accounts, other than 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. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- in light of the knowledge and understanding of the Commissioners for the Reduction of the National Debt the company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Foreword and management commentary; 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.

Matters on which I report by exception

I have nothing to report in respect of the following matters where the Companies Act 2006 requires me to 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.

James Edmands

23 September 2020

For and on behalf of the
Comptroller and Auditor General (Statutory Auditor)
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 2020

	2020	2019
	£000	£000
Cash receipts		
Unclaimed redemption moneys from registrar	636	821
Cash payments		
Reclaimed redemption moneys to registrar	1,200	2,208
Excess of payments over receipts	(564)	(1,387)

Statement of balances

As at 31 March 2020

	2020	2019
	£000	£000
Balance at the beginning of year	52,744	54,131
Net movement in year	(564)	(1,387)
Balance at the end of year	52,180	52,744

Jo Whelan

Secretary and Comptroller General to the Commissioners for the Reduction of the National Debt
22 September 2020

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 2020

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INDEPENDENT AUDITOR'S REPORT 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 2020. The financial statements comprise: Receipts and Payments, the Statement of Balances, and the related notes. These financial statements have been prepared under the accounting policies set out within the Foreword and management commentary.

In my opinion:

- the financial statements properly present the receipts and payments of the Unclaimed Stock and Dividends Account for the year ended 31 March 2020, and of the balances held at that date; and
- the financial statements have been properly prepared in accordance with the National Debt Reduction Act 1823.

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 of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Commissioners for the Reduction of the National Debt in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

As explained more fully in the Statement of Secretary and Comptroller General's Responsibilities, the Commissioners are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. They have appointed the Secretary and Comptroller General to discharge these responsibilities.

Auditor's responsibilities for the audit of the financial statements

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commissioners' internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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

Other information

The Secretary and Comptroller General is responsible for the other information. The other information comprises information included in the Annual Report and Accounts, other than 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. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- in light of the knowledge and understanding of the Commissioners for the Reduction of the National Debt the company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Foreword and management commentary; 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.

Matters on which I report by exception

I have nothing to report in respect of the following matters where the Companies Act 2006 requires me to 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.

James Edmands

23 September 2020

For and on behalf of the
Comptroller and Auditor General (Statutory Auditor)
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 2020

	Note	2020 £000	2019 £000
Cash receipts			
Unclaimed dividends transferred from the gilts registrar		-	-
Interest on assets held by Unclaimed Redemption Moneys Account		336	287
Return of excess previously surrendered to the National Loans Fund		258	-
		594	287
Cash payments			
Reclaimed dividends returned to the gilts registrar		270	763
Excess surrendered to the National Loans Fund	1	-	2,331
		270	3,094
		324	(2,807)

Statement of balances

As at 31 March 2020

	Note	2020 £000	2019 £000
Balance at beginning of year		100	2,907
Net movement in year		324	(2,807)
Balance at end of year	2	424	100

The notes on page 41 are an integral part of these accounts.

Jo Whelan

Secretary and Comptroller General to the Commissioners for the Reduction of the National Debt
22 September 2020

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, not including the Unclaimed Stocks, are surrendered to the National Loans Fund.

During 2019-2020, the account surrendered no funds in respect of 2018-2019 in accordance with legislation. At 31 March 2020, total sums held in excess of £100,000, and therefore expected to be surrendered to the National Loans Fund in 2020-2021, is £324k.

2. Deposits and securities held at year end

	2020	2019
	£000	£000
In respect of unclaimed dividends		
Deposits		
Deposits with the National Loans Fund	424	100
In respect of unclaimed stocks		
Government and Government guaranteed securities	-	-
	424	100

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.