

Presented to Parliament pursuant to National Savings Bank Act 1971, c.29, s.19 as amended by section 162 of the Finance Act 1998 and pursuant to the Finance Act 2009, c.10, s.125

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# National Savings and Investments Bank: Ordinary Deposits Account from 1 April 2009 to 1 September 2009

## Statement of Ordinary Deposits Account Surplus Funds at 1 September 2009

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on behalf of Parliament.

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## Foreword

### Background

The National Savings Bank Act 1971 (the 1971 Act) sets out the arrangements for the operation of the National Savings Bank, including the receipt and repayment of Ordinary Deposits. The National Savings Bank is part of National Savings and Investments (NS&I). NS&I is an integral part of the UK's debt management arrangements. Its sole aim is to help reduce the cost to the taxpayer of Government borrowing now and in the future, through the sale of savings and investment products to the retail market, thus providing retail funding for Government that is cost-effective in relation to funds raised on the wholesale market.

The Department for National Savings was established in 1969, having previously been part of the Post Office®. In 1996, National Savings was also established as an Executive Agency of the Chancellor of the Exchequer. In February 2002 National Savings launched its new name and corporate identity and is now known as 'National Savings and Investments' (NS&I).

The Director of Savings, who is also NS&I's Chief Executive, is the Accounting Officer responsible for administering NS&I's products including the Ordinary Deposits Account (ORDAC). Under the National Savings Bank Act 1971, Ordinary Deposits were passed to the Commissioners for the Reduction of the National Debt (CRND) who invest them under section 18 of that Act. The CRND forms part of the Debt Management Office (DMO).

### Ordinary deposits

Ordinary deposits are invested in the ORDAC. The ORDAC is an instant access passbook account where customers were able to deposit or withdraw cash by using the passbook at the Post Office®. Withdrawals of up to £100 on demand per day could have been made at any Post Office® on presentation of the passbook.

### Management of ordinary deposits

NS&I are responsible for the collection of deposits from investors, the calculation and addition of interest to customer accounts and the repayment of funds to investors. It also maintains customer records and deals with correspondence and enquiries. NS&I are also responsible for transferring the balance of deposits remaining after withdrawals to the CRND under Section 17(1) of the 1971 Act.

There are eight Commissioners

- The Chancellor of The Exchequer.
- The Governor and both Deputy Governors of the Bank of England.
- The Speaker of the House of Commons.
- The Master of the Rolls.
- The Accountant General of the Supreme Court.
- The Lord Chief Justice.

Section 17(2) of the 1971 Act authorises the CRND to invest the balance of Ordinary Deposits remaining after withdrawals by depositors and the payment of expenses, in those securities listed in Section 18 of the 1971 Act. Section 20 of the 1971 Act requires the payment into the Consolidated Fund of any surplus of interest earned on the CRND's investments, after deduction of interest paid or credited on Ordinary Deposits, of expenses incurred and of any amount determined by the Treasury to provide for depreciation in the value of investments. It also provides for the Consolidated Fund in any period in which there is a deficiency of interest, to make good the deficiency. The CRND have appointed the Secretary and Comptroller General and the Assistant Comptroller to discharge their day-to-day responsibilities in this regard and to present accounts in respect of their investments annually. The Secretary and Comptroller General is responsible for the keeping of proper records, and ensuring the propriety and regularity with regard to this account.

During the period covered by this account, investors' funds were invested in call notice deposits with the Debt Management Account (DMA). The DMA is an Exchequer Fund operated by the DMO on behalf of HM Treasury.

Ordinary Deposits were taken off sale on 28 January 2004 and the investor funds, held by the CRND, were transferred to the National Loan Funds (NLF) under NS&I's Residual Account in June 2008, as part of the Ordinary Deposits closure.

## Preparation of the accounts

These accounts are the last accounts to be prepared in respect of the Ordinary Deposits. In accordance with section 125 of the Finance Act 2009, the surplus balance in respect of the Ordinary Deposits was transferred to the Consolidated Fund on 1 September 2009.

The Finance Act 2009 sets out requirements for the preparation, audit and laying before Parliament of a statement of the surplus arising upon closure of the Ordinary Deposits Accounts. In this regard a Statement of Ordinary Account Surplus funds is presented herein showing transfer of the relevant surplus to the consolidated fund. This statement meets the Commissioners' and Director of Savings' obligations with regards to the closure of Ordinary Deposits.

Section 19 of the 1971 Act, as amended by section 162 of the 1998 Finance Act (the 1998 Act), requires the Director of Savings and the CRND to prepare a statement for a full year of the accounts and, before the end of August 2010, to transmit it to the Comptroller and Auditor General who shall examine, certify and report on it and lay copies of it, together with copies of his report, before Parliament. Following closure of the Ordinary Deposits on 1 September 2009 a full year of accounts has not been prepared. These statements and related notes cover the period from 1 April 2009 to 1 September 2009 showing

- Sums received and repaid in respect of Ordinary Deposits, and interest paid or credited to depositors during the period;
- The interest accrued on investments made by the Commissioners and the amount of expenses incurred during the period; and
- Aggregate liabilities and the nominal value of the investments held by the Commissioners at the end of the period.

These statements and related notes meet these requirements and provide additional information about the relationship between the Ordinary Deposit transactions, administrative costs and the investment activities of the Commissioners under sections 17, 18 and 20 of the 1971 Act. They have been prepared on an accruals basis and give a true and fair view of transactions with investors and transactions with the Commissioners, and associated balances held in respect of Ordinary Deposits at the end of the period.

## Performance for the period

As part of the closure of the Ordinary Deposits, the remaining surplus, being the prior year's gains on investments was transferred to the Consolidated Fund on 1 September 2009.

## Audit

These accounts have been audited by the Comptroller and Auditor General whose Certificate and Report appear on page 12 for the statement of surplus funds and pages 14 to 15 for the ordinary deposits.

*Jane Platt*  
Director of Savings  
National Savings and Investments  
13 January 2010

*Jo Whelan*  
Secretary and Comptroller General to the Commissioners  
for the Reduction of the National Debt  
13 January 2010

## Statement of Accounting Officer's responsibilities

The Director of Savings and the Commissioners for the Reduction of the National Debt are required to prepare the final Ordinary Deposits White Paper account for the period from 1 April 2009 to 1 September 2009 and to transmit it to the Comptroller and Auditor General by the 31 August 2010.

The accounts are prepared on an accruals basis and must give a true and fair view of the products' balances at the period end and of the income and expenditure for the financial reporting period.

In preparing accounts an Accounting Officer is required to observe the applicable accounting standards and generally accepted accounting practice in so far as they are relevant to the account, and apply suitable accounting policies on a consistent basis and in particular to

- observe section 19 of the National Savings Bank Act 1971 as amended by Finance Act 1998;
- make judgements and estimates on a reasonable basis; and
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the accounts.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable and for keeping proper records are set out in the Accounting Officer's Memorandum issued by HM Treasury and published in *Managing Public Money*.

# Statement on Internal Control by the Director of Savings

## Scope of responsibility

As Accounting Officer I have responsibility for maintaining a sound system of internal control that supports the achievement of NS&I policies, aims and objectives, while safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in HM Treasury's *Managing Public Money* document.

As Accounting Officer I retain sole responsibility for the system of internal control within NS&I. I am assisted in discharging this responsibility by the board, which, in addition to myself and the other NS&I Executive Directors, comprises four independent Non-executive Directors and two representatives of HM Treasury, who provide the key assurance link back to Treasury Ministers.

The Treasury Minister, while maintaining accountability, has delegated day-to-day dealings with NS&I to HM Treasury's Debt and Reserves Management (DRM) team. The NS&I board has assumed overall responsibility for monitoring the effectiveness of the Agency's risk management processes. My senior staff and I also hold regular briefing meetings with other relevant HM Treasury teams.

In respect of the Ordinary Deposits White Paper account for the period 1 April 2009 to 1 September 2009, there have been no transactions with investors, following the transfer of liability to investors to the National Loans Fund (NLF) in June 2008. The balance of historic investments arising from Ordinary Deposits, and payments to the Consolidated Fund, have been managed by the Commissioners for the Reduction of the National Debt (CRND). NS&I have retained responsibility for preparation of the ORDAC White Paper accounts. The NS&I system of internal control supports the achievement of NS&I objectives which included preparation of the ORDAC White Paper accounts.

## The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised, and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in NS&I for the period from 1 April 2009 to 1 September 2009, and up to the date of approval of the accounts, and accords with HM Treasury guidance.

## Capability to handle risk

The board, Audit Committee and Executive Management Team (EMT) have primary responsibility for identifying and monitoring the key risks which NS&I faces. The board delegates the responsibility for overseeing the risk management process to the Audit Committee, with the Audit Committee reporting back to the board after each meeting. Every month the EMT considers whether there are any new risks to the business to be registered and discusses the key risks as part of its monthly risk review. The Audit Committee formally reviews the key risks at least annually to ensure that they remain valid and complete in the light of changing circumstances in the year and business plans for the coming year.

NS&I has a risk management strategy, a risk management framework and agreed risk management reporting protocols, and these are reviewed and approved annually by the Audit Committee.

The Audit Committee, chaired by an independent Director, is responsible for providing assurance, in conjunction with internal and external auditors, to the board on the existence and effectiveness of the overall processes for managing risk within NS&I and within those parts of Siemens concerned with NS&I business.



NS&I's business model means that we are critically reliant on our business partner, Siemens, for the delivery of our strategic objectives. Consequently, we have established joint processes with Siemens to manage the partnership as one business. These include Siemens' representation at relevant Committees; joint working between project offices; joint project teams; and a Joint Audit and Risk Management Committee (JARMC). The JARMC updates the Audit Committee on the management of risks to the joint business. Across the whole business, Directors and operational managers are responsible for embedding risk identification and management within the design, documentation and operation of business processes, in line with agreed risk tolerances.

NS&I's Committee structure is reviewed every year to enhance governance, empower staff and include Siemens personnel in all appropriate areas. Compliance Risk, Fraud and Security functions have all been strengthened. Key risks are shared with HM Treasury through the Audit Committee.

The risk management process is led by the EMT, which comprises of the Executive Directors and the Siemens Account Director responsible for the NS&I account, and is responsible for

- implementation of the risk management strategy;
- developing and overseeing the risk management framework;
- identifying and evaluating strategic risks; and
- designing, operating and monitoring a suitable system of internal control.

### The risk and control framework

An analysis of key risks and the consequent significant sub-risks has been established through an ongoing programme of individual and collective discussion with the Executive Directors. With very few exceptions where sub-risks have been retained by the Directors, all sub-risks have been allocated to senior managers. An organisation-wide risk register records all significant risks identified, links lower level risks through to the key risks, records mitigating controls and named risk managers. The Audit Committee reviews the key risks annually to ensure that they remain valid and complete in the light of business plans for the coming year.

For each key risk and sub-risk identified, the assessment and scoring of the probability and impact both before and after mitigating controls is performed using a consistent methodology on a risk matrix. The results of this are considered against our agreed organisational risk appetite, as approved annually by the Audit Committee. Reviews of risks and their risk scores are performed regularly by senior managers and the EMT. Where further action is necessary to reduce exposure, the action, and its intended effect on the status of the risk, is logged, responsibility allocated, and a completion date agreed. This ensures that there is ongoing tracking of any risk where exposure remains unacceptably high despite the controls that are in place. These risks are flagged as red, reviewed monthly by the EMT and reported to the Audit Committee.

Our management of risk is embedded in policy making, planning and delivery by Executive Directors and senior managers, who are responsible for ensuring the proper management of risks and for cascading implementation of the risk management strategy and framework within their respective directorates and teams. Senior managers are responsible for implementation of self-assessment processes.

As part of the annual planning cycle, senior managers are required to identify the significant risks that could impact on the achievement of each main element of their proposed business plans for the year. These risks are then compared with the existing risk register, which is amended as necessary.

Contingency plans are in place or are being implemented for all sub-risks where exposure is inherently unacceptable.

A programme management function ensures that all projects are subject to formal project management disciplines, including an assessment of inherent and residual risks. Projects are governed by formal project management disciplines, including regular review of project and programme risks overseen by the project board, EMT, Audit Committee and the board.

Senior managers provide assurance to the relevant Executive Directors that they are either satisfied that all their sub-risks are adequately controlled, or that plans are in place to provide that control. In addition, EMT members provide me with equivalent assurance for the key risks for which they have responsibility. Executive Directors also provide assurance that an adequate system of internal control operates within their directorates, and that, to the best of their knowledge, their staff comply with all relevant legal and regulatory requirements.

The risk management process continues to be enhanced.

### Statement of information risk

NS&I holds personal information relating to its customers and readily acknowledges its responsibility to ensure that this information is accurate and up to date, and its duty to ensure that the personal information entrusted to it is properly safeguarded from loss and unauthorised access.

The Cabinet Office's review of data handling procedures in government, published in June 2008, made a number of recommendations to be implemented across government. In December 2008, the Cabinet Office published Her Majesty's Government (HMG) Security Policy Framework which embraces the requirements of the Data Handling Review. This framework superseded the Manual of Protective Security and set out mandatory requirements for government departments on protective security, covering physical, personnel and information security.

NS&I has followed the Cabinet Office's recommendations on information security, and is complying with the HMG Security Policy Framework. NS&I undertook a gap analysis of practice against the Cabinet Office data handling guidance and the Security Policy Framework, and developed an action plan to implement the recommendations from its review of data handling and any disparities identified by the gap analysis.

NS&I's risk register includes a number of sub-risks on data handling and information assurance. NS&I has zero tolerance for information asset losses and will continue to reinforce this through policies and procedures and staff acceptance of them.

Roles and responsibilities for information assurance within NS&I have been clearly defined.

NS&I has produced clear guidance for NS&I staff and those of delivery partners for the management of personal data and introduced procedures to ensure that any information shared with third parties is properly authorised, protected at all times, and securely delivered.

NS&I has also encrypted the hard drives of all laptops, in line with Cabinet Office guidance. For data that cannot be transmitted electronically, it has implemented bulk data transfer via disk using approved encryption and defined procedures.

An information charter is available on the NS&I website.

NS&I will shortly establish a network of Information Asset Owners whose role will be to understand what information is held, what is added and what is removed, how information is moved, and who has access, so as to understand and address risks to the information they use. The Information Asset Owners will provide additional overall assurance quarterly on the use and security of the data for which they are responsible.

The existing programme of staff vetting has been extended to 2009-2010 to include increased levels of identity and financial checks for all NS&I staff, and those in Siemens handling NS&I customer information.

NS&I's policies will continue to be reviewed to ensure that they provide a secure environment for information handling and to ensure that they continue to meet the requirements set out in the HMG Security Policy Framework. All staff will be required to provide written confirmation that they are aware of the policies, and the responsibilities that the policies place on them.

## Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and those Executive Directors and managers within the department and Siemens who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

My formal review of the effectiveness of the system of internal control is performed alongside the standard control processes that apply to the NS&I Resource Accounts and Product Accounts. I am not aware of any weaknesses that would bring into question the ability of the system of internal control to support the achievement of NS&I objectives which included preparation of the Ordinary Deposits White Paper accounts.

The board, via the Audit Committee, satisfies itself as to the adequacy of the risk management process and reviews the management of each key residually red risk at least annually by examining evidence of performance against objectives and targets, the timely identification and assessment of significant risks, the prioritisation of risks and the allocation of resources to address areas of exposure, the ability of NS&I to learn from its experiences and the commitment and speed with which corrective actions are implemented. The board, via the Audit Committee, also reviews the internal and external risk profile for the coming year and considers if current internal control arrangements are likely to be effective.

The Executive Directors conduct regular reviews of the risk register, with the top risks being reported monthly to the EMT for review. These are reviewed at least annually by the Audit Committee. The Audit Committee also reviews annually the assurance on the overall system of internal control provided by the Head of Internal Audit, and advises the board of its assessment of the internal control system.

The Head of Internal Audit provides the Audit Committee with regular reports on internal audit activity, including an independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement.

The overall internal audit plan and internal audit process for the NS&I business, led by KPMG from 1 July 2009 (Deloitte up to 30 June 2009), is based on management's assessment of risk throughout the business. In my opinion, and that of the Audit Committee, this appreciably enhances the internal audit process, and hence the value of the internal audit assurance. We will continue our ongoing process for assessing internal controls against best practice across all systems and products. The approach to reviewing effectiveness and plans to ensure the continuous improvement of the systems in place has been further refined in 2009-2010.

*Jane Platt*  
Director of Savings  
National Savings and Investments

13 January 2010

# Statement on Internal Control by the Commissioners for the Reduction of the National Debt

## Scope of responsibility

The Commissioners for the Reduction of the National Debt (CRND) have appointed me as Secretary and Comptroller General of CRND to discharge their responsibilities in this regard. As Secretary and Comptroller General, I also have responsibility 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 UK Debt Management Office (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 Statement of Internal Control 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.

## The purpose of the system of internal control

The system of internal control is designed to manage risk to an acceptable level, balancing the impact of potential risks with the resources required to manage them, rather than to eliminate all risk. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Relevant elements of the DMO system of internal control have been implemented for CRND. The system of internal control has been in place for the period 1 April 2009 to 1 September 2009, and accords with Treasury guidance. These systems of control ceased to cover Ordinary Deposits managed by the CRND upon closure of the fund but continue to be in place for the remaining active CRND funds.

## Capacity to handle risk

The DMO has a formal risk management strategy and policy, which includes CRND activities, set by the DMO Managing Board. The DMO has risk management policies and has documented the risk management processes. Elements of these policies have been reviewed and adjusted during the period.

The DMO Managing Board is responsible for setting strategic direction and considering high-level operational issues. An executive sub-committee of the Managing Board meets weekly. The terms of reference of this committee and those of the Fund Management and Risk Committees clearly set out their roles and responsibilities for providing the organisational capability to consider issues and make relevant decisions at the appropriate level.

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 with respect to whistle blowing, fraud and anti-money laundering. The DMO ensures that the exercise is undertaken on an annual basis in order to maintain a good level of awareness of the DMO's policies in these areas. All members of staff have job descriptions, including specific key risks they are expected to manage.

Management in each business function is responsible for ensuring that the operations within their area are compliant with plans, policies, procedures and legislation. Functional managers are responsible for maintaining compliance arrangements across the DMO in their area of specialism.

## The risk and control framework

The DMO has various mechanisms for managing its risks that are incorporated into its approach to both regular operations and new business initiatives. There are processes in place to ensure regular measurement and monitoring of key business risks including market, credit, operational and liquidity risk.

The DMO's Risk Management Unit (RMU) provides control advice on risks throughout the DMO. In the DMO's management reporting structure the RMU is separate 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 risks is facilitated by the RMU, via consultation with heads of business units and functional teams. Regular meetings are held with heads of business units and functional teams to assess whether risks to their operations are being managed effectively. Significant risk issues are assessed by likelihood and materiality of occurrence. New risks and risks with an increased risk profile 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. 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 obtained 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 against agreed deadlines.

A key component of the CRND control framework is the segregation of duties to promote independent checking and 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 duties. All teams have documented procedures for their main activities and there are clearly defined authorisation levels for committing the DMO externally. The RMU runs checks on those sections of the Financial Services Authority handbook that are most pertinent to CRND activities.

Risks to data and information held by the DMO are owned and managed by designated Information Asset Owners. There is a Senior Information Risk Owner for the DMO, responsible for the information risk policy and risk assessment relating to information, who acts as an advocate for information assurance at the Board and through internal discussions.

The DMO's Business Continuity Plan (BCP), including Disaster Recovery (DR) site and other arrangements, is subject to continual review and update with the SROs taking an active role during the period in progressing BCP improvements. Assessment of business continuity requirements is a specific requirement for new projects and major business initiatives.

An up-to-date memorandum of understanding is in place with each client, outlining the respective responsibilities of CRND and the client. CRND has adopted a passive style of fund management for each client. CRND has established effective communication channels with each of its clients.

A controls team met periodically to review issues affecting the DMO's system of internal control (including CRND) and to recommend actions to management to implement changes where appropriate. The controls team comprises senior representatives of the DMO teams responsible for finance, risk, control, compliance and internal audit.

Responsibility for supporting me as Secretary and Comptroller General in matters relating to governance, internal control and risk management processes for the Ordinary Deposits has rested with the Exchequer Funds Audit Committee.

The Exchequer Funds Audit Committee performs this role for the Accounting Officers of each of the Exchequer Funds, which are the Debt Management Account, Public Works Loan Board, Exchange Equalisation Account, National Loans Funds, Consolidated Fund, Contingencies Fund and the transactions of the Commissioners for the Reduction of the National Debt. The Chair of the Committee reports to me on matters relating to the Commissioners for the Reduction of National Debt. Members of the Committee are appointed for periods of up to three years, extendable by no more than one additional three-year period. The membership of the Committee during the period covered by these accounts was

- Colin Price, Chair, Non-executive Director of the DMO's Managing Board and formerly Global Pension Fund Adviser/Finance Director at Shell Pensions Management Services Limited;
- Brian Larkman, Non-executive Director of the DMO's Managing Board and formerly Global Head of Money Markets at the Royal Bank of Scotland plc; and
- Mark Clarke, formerly Director General (Finance and Strategy) at the Department for Business, Enterprise and Regulatory Reform.

The Exchequer Funds Audit Committee has met quarterly.

### Review of effectiveness

As Secretary and Comptroller General, my review of the effectiveness of the system of internal control is informed by the work of executive managers in the DMO who have been delegated responsibility for the development and maintenance of the internal control framework, and by the reports and comments made by the internal and external auditors. I have been supported by the Audit Committee and risk owners in addressing weaknesses and ensuring continuous improvement of the system is in place.

- The Fund Management Committee, comprising CRND managers, other senior managers and DMO specialist staff, meets regularly to review CRND operational issues. In particular, it monitors and advises on development of CRND governance mechanisms.
- The DMO's Risk Management Unit conducts monthly Controls and Compliance testing providing the executive sub-committee of Managing Board with independent assurance on the effectiveness of operational controls and compliance with relevant FSA rules in the dealing and settlements areas. No significant internal control failures were identified during the period.
- During the period of this Statement on Internal Control, Internal Audit has provided reports on the effectiveness of the risk management, control and governance processes for the DMO, including aspects relevant to CRND, to the Exchequer Funds Audit Committee throughout the period. The audits make a series of recommendations that are addressed as part of our focus on continuous improvement in this area. The Internal Audit work programme is approved by the Exchequer Funds Audit Committee at the start of the year.
- Internal Audit attended each meeting of the Audit Committee to report the results of audit work and the results of follow-up work to confirm that appropriate management action had been taken to address audit recommendations.
- Internal Audit's view was that assurance could be given over the risk management, control and governance arrangements relevant to the accounts. There are no matters arising from the work of Internal Audit in the period that would give rise to a separate comment in the Statement on Internal Control.

In my opinion, the system of internal control relating to CRND was effective throughout the period 1 April 2009 to 1 September 2009, 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

13 January 2010

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the Statement of Ordinary Account Surplus Funds under the Finance Act 2009.

## Respective responsibilities of the Accounting Officer and Auditor

The Director of Savings, as Accounting Officer, and the Commissioners for the Reduction of the National Debt are responsible for preparing the Statement of Ordinary Account Surplus Funds in accordance with the Finance Act 2009.

My responsibility is to audit the Statement in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Statement of Ordinary Account Surplus Funds properly presents the surplus payable to the Consolidated Fund in accordance with the Finance Act 2009.

## Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures included in the Statement.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Statement is free from material misstatement, whether caused by fraud or error.

## Opinion

In my opinion, the Statement of Ordinary Account Surplus Funds properly presents the surplus payable to the Consolidated Fund in accordance with the Finance Act 2009.

## Report

I have no observations to make on the Statement of Ordinary Account Surplus Funds.

*Amyas C E Morse*  
Comptroller and Auditor General

24 February 2010

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# National Savings and Investments and Commissioners for the Reduction of the National Debt

## Ordinary Deposits

### Statement of Ordinary Account Surplus Funds

	£000
Interest on investments during the period 1 April to 1 September 2009	1,290
Net recovery of losses during the period 1 April to 1 September 2009	1
Investments at 1 April 2009	617,615
Less administration expenses during the period 1 April to 1 September 2009 (management fees)	(10)
Less total creditors at 1 April 2009	(25,316)
Less 2008-2009 administration expenses adjustment*	(58)
	<hr/>
Total surplus to be surrendered to the Consolidated Fund	593,522
Surplus surrendered to the Consolidated Fund upon closure of the Ordinary Deposits White Paper Account	(593,522)
	<hr/>
<b>Balance</b>	<b>0</b>
	<hr/>

\* This adjustment arises from audit fees accounted in the 2008-2009 Ordinary Deposits White Paper account, but not deducted from the surplus paid to Consolidated Fund by the CRND in respect of 2008-2009.

Section 125(1) of the Finance Act 2009 requires the Director of Savings and the Commissioners for the Reduction of the National Debt to produce a statement showing the National Savings Bank Fund surplus transferred to the Consolidated Fund. This statement has been produced to satisfy the Director of Savings and the Commissioners' obligations in this regard. The balance transmitted to the Consolidated Fund on 1 September 2009 was £593,522,216.72.

*Jane Platt*  
Director of Savings  
National Savings and Investments  
13 January 2010

*Jo Whelan*  
Secretary and Comptroller General to the Commissioners  
for the Reduction of the National Debt  
13 January 2010



# National Savings and Investments and Commissioners for the Reduction of the National Debt

## Ordinary Deposits

### Statement of Ordinary Account Surplus Funds

	£000
Interest on investments during the period 1 April to 1 September 2009	1,290
Net recovery of losses during the period 1 April to 1 September 2009	1
Investments at 1 April 2009	617,615
Less administration expenses during the period 1 April to 1 September 2009 (management fees)	(10)
Less total creditors at 1 April 2009	(25,316)
Less 2008-2009 administration expenses adjustment*	(58)
	<hr/>
Total surplus to be surrendered to the Consolidated Fund	593,522
Surplus surrendered to the Consolidated Fund upon closure of the Ordinary Deposits White Paper Account	(593,522)
	<hr/>
<b>Balance</b>	<b>0</b>
	<hr/>

\* This adjustment arises from audit fees accounted in the 2008-2009 Ordinary Deposits White Paper account, but not deducted from the surplus paid to Consolidated Fund by the CRND in respect of 2008-2009.

Section 125(1) of the Finance Act 2009 requires the Director of Savings and the Commissioners for the Reduction of the National Debt to produce a statement showing the National Savings Bank Fund surplus transferred to the Consolidated Fund. This statement has been produced to satisfy the Director of Savings and the Commissioners' obligations in this regard. The balance transmitted to the Consolidated Fund on 1 September 2009 was £593,522,216.72.

*Jane Platt*  
Director of Savings  
National Savings and Investments  
13 January 2010

*Jo Whelan*  
Secretary and Comptroller General to the Commissioners  
for the Reduction of the National Debt  
13 January 2010

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of National Savings and Investments' Ordinary Deposits White Paper Accounts for the period 1 April 2009 to 1 September 2009, under the National Savings Bank Act 1971. These comprise the Transactions with Investors Statement, the Income and Expenditure Statement, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out within them.

## Respective responsibilities of the Accounting Officer and auditor

The Director of Savings, as Accounting Officer, and the Commissioners for the Reduction of the National Debt are responsible for preparing the Foreword and the financial statements, in accordance with the National Savings Bank Act 1971, and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the National Savings Bank Act 1971. I report to you whether, in my opinion, the Foreword is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if National Savings and Investments or the Commissioners for the Reduction of the National Debt have not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the Statements on Internal Control reflect National Savings and Investments' and the Commissioners for the Reduction of the National Debt's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether these statements cover all risks and controls, or to form an opinion on the effectiveness of National Savings and Investments' and the Commissioners for the Reduction of the National Debt's corporate governance procedures or their risk and control procedures.

## Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by National Savings and Investments and the Commissioners for the Reduction of the National Debt in the preparation of the financial statements, and of whether the accounting policies are most appropriate to National Savings and Investments Ordinary Deposit Accounts' circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the Foreword.

## Opinions

In my opinion

- the financial statements give a true and fair view, in accordance with the National Savings Bank Act 1971, of the state of affairs of the National Savings and Investments Ordinary Deposit Accounts as at 1 September 2009, and of National Savings and Investments' Transactions with Investors and Income and Expenditure of the Commissioners for the Reduction of the National Debt for the period 1 April 2009 to 1 September 2009
- the financial statements have been properly prepared in accordance with the National Savings Bank Act 1971; and
- information within the Foreword is consistent with the financial statements.

### **Opinion on regularity**

In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### **Report**

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General

24 February 2010

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

# National Savings and Investments

## Ordinary Deposits

### Transactions with Investors

For the period from 1 April 2009 to 1 September 2009

	<b>Period from 1 April 2009 to 1 September 2009 £000</b>	Year ended 31 March 2009 £000
Received from investors	<b>0</b>	751
Interest earned by investors	<b>0</b>	732
	<b>0</b>	1,483
Transferred to Residual Account	<b>0</b>	(303,793)
Paid to investors	<b>0</b>	(4,982)
Decrease in liability to investors	<b>0</b>	(307,292)
Opening balance of funds invested	<b>0</b>	307,292
<b>Closing balance of funds invested</b>	<b>0</b>	0

*The notes on pages 19 to 21 form part of these accounts.*

Jane Platt  
Director of Savings  
National Savings and Investments

13 January 2010

# Commissioners for the Reduction of the National Debt

## Ordinary Deposits

### Income and Expenditure Statement

For the period from 1 April 2009 to 1 September 2009

	Notes	<b>Period from 1 April 2009 to 1 September 2009 £000</b>	Year ended 31 March 2009 £000
<b>Income</b>			
Interest on deposits with Debt Management Account		<b>1,290</b>	26,399
		<b>1,290</b>	26,399
<b>Expenditure</b>			
Interest earned by investors		<b>0</b>	(732)
Administration expenses	2	<b>(10)</b>	(689)
Net recoveries/(losses)	3	<b>1</b>	(10)
		<b>(9)</b>	(1,431)
<b>Surplus for the period</b>			
Surplus due to the Consolidated Fund	4,6	<b>(1,281)</b>	(24,968)
<b>Increase in reserves</b>			
<b>Reserves</b>			
Brought forward from previous year		<b>592,299</b>	592,299
Decrease in Reserves		<b>(592,299)</b>	0
<b>Reserves carried forward</b>			
		<b>0</b>	592,299

*The notes on pages 19 to 21 form part of these accounts.*

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

13 January 2010

# National Savings and Investments and Commissioners for the Reduction of the National Debt

## Ordinary Deposits

### Balance Sheet

As at 1 September 2009

	Notes	<b>1 September 2009</b> £000	31 March 2009 £000
<b>Assets</b>			
Deposits with the Debt Management Account	5	<u>0</u>	<u>617,615</u>
		0	617,615
Creditors	6	<u>0</u>	<u>(25,316)</u>
		0	(25,316)
<b>Net assets</b>		<u>0</u>	<u>592,299</u>
		0	592,299
<b>Liabilities</b>			
Reserves	7	<u>0</u>	<u>592,299</u>
		0	592,299

*The notes on pages 19 to 21 form part of these accounts.*

*Jane Platt*  
Director of Savings  
National Savings and Investments  
13 January 2010

*Jo Whelan*  
Secretary and Comptroller General to the Commissioners  
for the Reduction of the National Debt  
13 January 2010

# Notes to the accounts

## 1 Accounting policies

### 1.1 Presentation of accounts

These accounts have been prepared in accordance with section 19 of the National Savings Bank Act 1971 as amended by the Finance Act 1998.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Ordinary Deposits accounts.

These accounts have been prepared under the historical cost convention with the revaluation of investments to market value.

Being the final accounts due to the closure of the fund in accordance with Finance Act 2009, these accounts have not been prepared on a going concern basis.

### 1.2 Receipts from investors

Receipts from investors are amounts deposited by investors to top up their accounts to the required minimum to be re-invested into other products. Receipts from investors are recognised as a liability when the payment instrument for a valid investment is received by NS&I or one of its agents

### 1.3 Interest earned by investors

Interest is deemed to capitalise when it starts earning further interest in accordance with the terms and conditions applicable to this product. Capitalised interest is included within interest earned in the transactions with investors' statement and is included within the principal owed to investors in the balance sheet. Interest is accrued from the date of receipt or most recent capitalisation to the end of the accounting period.

### 1.4 Payments to investors

Payments are recognised on the date of the payment instrument. Where payment instruments are not paid within their stipulated time limit the liability to the investor is reinstated.

### 1.5 Recognition of investment income

Income is recognised within the accounts on the following basis

- Interest on investments is recognised as it accrues rather than on a cash basis;
- Realised gains and losses on trading activities are taken to the Income and Expenditure Statement in the period in which they arise; and
- Valuation gains and losses are recognised in the Income and Expenditure Statement in the same way as realised gains and losses and are included within the carrying value of the investments on the Balance Sheet.

## 2 Administration expenses

Expenses incurred by the Director of Savings in connection with the Ordinary Deposits are paid out of the National Savings and Investments Vote. Under section 17 of the National Savings Bank Act 1971 a sum determined by the Treasury to be equal to the amount of the expenses incurred during the period is paid into the Consolidated Fund by the Commissioners for the Reduction of the National Debt. The expenses incurred by the Director of Savings and the Commissioners were as follows

	<b>Period from 1 April 2009 to 1 September 2009 £000</b>	Year ended 31 March 2009  £000
National Savings and Investment's expenses	<b>5</b>	660
Commissioners for the Reduction of National Debt's expenses	<b>5</b>	29
	<b>10</b>	689

The Director of Savings' expenses includes £nil for Post Office® charges (2008-2009: £43,416) and audit fees of £5,000 (2008-2009: £58,000).

## 3 Net recoveries/(losses)

Losses recognised in the period in respect of NS&I theft, fraud and irrecoverable payments were £nil (2008-2009: £13,699). During the period £680 (2008-2009: £3,343) was recovered from individuals. This resulted in a net recovery of £680 (2008-2009: net loss £10,356).

## 4 Surplus due to the Consolidated Fund

Under section 20 of the National Savings Bank Act 1971 the Treasury may arrange for an amount to be provided for depreciation in the value of investments held by the Commissioners for the Reduction of the National Debt, but no provisions have been deemed necessary since 1994. If, after allowing for any such provision, the interest earned by the securities held by the Commissioners exceeds the total of interest costs, management expenses and net losses, then the excess is payable to the Consolidated Fund. The surplus comprises

	<b>Period from 1 April 2009 to 1 September 2009 £000</b>	Year ended 31 March 2009  £000
Interest on deposits with Debt Management Account	<b>1,290</b>	26,399
Expenditure	<b>(9)</b>	(1,431)
Surplus due to the Consolidated Fund	<b>1,281</b>	24,968

Expenditure is inclusive of administration expenses, net recoveries of losses (2008-2009: net losses) and interest payable to investors (2008-2009 only).

## 5 Deposits with Debt Management Account

	<b>1 September 2009 £000</b>	31 March 2009 £000
At beginning of year	<b>617,615</b>	929,510
less net movement in call notice deposits for the period	<b>(617,615)</b>	(311,895)
At end of period	<b>0</b>	617,615

Deposits are call notice deposits held throughout the year in accordance with section 18(a) of the National Savings Bank Act 1971.



**6 Creditors**

	<b>1 September 2009</b> <b>£000</b>	31 March 2009 £000
Surplus to be surrendered to the Consolidated Fund	<b>0</b>	24,968
Management fees payable to NS&I	<b>0</b>	348
	<b>0</b>	25,316

**7 Reserves**

	<b>1 September 2009</b> <b>£000</b>	31 March 2009 £000
Balance at 1 April	<b>592,299</b>	592,299
Reserves paid to the Consolidated Fund upon closure of the fund	<b>(592,299)</b>	0
	<b>0</b>	592,299

**8 Post balance sheet events**

There are no other reportable post balance sheet events between the balance sheet date and the date the Comptroller and Auditor General certified these accounts.

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