

---

---

NATIONAL SAVINGS BANK ACT 1971

**Statements**, prepared pursuant to section 120 of the Finance Act 1980 with respect to investment deposits of the National Savings Bank for the year ended 31 December 1992, together with the Report of the Comptroller and Auditor General thereon. (In continuation of House of Commons Paper No. 165 of 1992-93.)

Presented pursuant to Act 1980, c.48, s.120

---

# National Savings Bank Investment Deposits Accounts 1992

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 30 MARCH 1994



# Foreword

- Introduction**      1      These statements give the information about the investment deposits of the National Savings Bank which is required by the Finance Act 1980, together with certain additional information. The National Savings Bank is part of the Department for National Savings.
- Statutory Requirements**      2      The arrangements for the operation of the National Savings Bank, including the receipt and repayment of investment deposits, are set out in the National Savings Bank Act 1971 as amended by section 120 of the Finance Act 1980. Section 120 of the 1980 Act provides for investment deposits to be paid into the National Loans Fund and for sums required to repay deposits, or pay interest on them, to be a charge on the National Loans Fund, with recourse to the Consolidated Fund. It also provides for the rate of interest on investment deposits to be determined by the Treasury.
- 3      Section 120 of the Finance Act 1980 also requires the Director of Savings to prepare a statement for each year to 31 December showing all sums:
- (a) received and paid by him in respect of investment deposits (Statement A);
  - (b) paid by him into or received by him out of the National Loans Fund (Statement B);
  - (c) received by him out of the Consolidated Fund (Statement B);
- and, before the end of May next following, 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.
- Additional Information**      4      Three statements are attached which aim both to meet the requirements of the 1980 Act and to provide more information about the operation of the investment deposits.
- 5      Statement A sets out the transactions with depositors in the year ended 31 December 1992. Statement B covers the transactions with the National Loans Fund for that year. Statement C shows the balance sheet as at 31 December 1992.

Department for National Savings

## Statement A

## Transactions with Depositors in the year ended 31 December 1992

	Notes	1992 £000	1991 £000
The balance due to depositors at 1 January was		8,876,665	8,527,080
Deposits received in the year amounted to		1,128,889	1,266,028
and interest credited to depositors was	(1)	728,679	925,779
		<u>10,734,233</u>	<u>10,718,887</u>
Repayments in the year amounted to		<u>(1,816,823)</u>	<u>(1,842,222)</u>
So the balance due to depositors at 31 December was		8,917,410	8,876,665
Adjustment	(3)	58,379	—
Revised balance due to depositors at 31 December		<u>8,975,789</u>	<u>8,876,665</u>

## Statement B

## Transactions with the National Loans Fund and the Consolidated Fund in the year ended 31 December 1992

	1992	1991
	£000	£000
<b>National Loans Fund</b>		
The liability of the National Loans Fund for investment deposits at 1 January was	8,918,163	8,549,830
Payments to the National Loans Fund amounted to	1,081,123	1,239,722
and drawings from the National Loans Fund were	<u>(1,779,879)</u>	<u>(1,797,168)</u>
	8,219,407	7,992,384
and the liability for interest credited to depositors' accounts in the year was	<u>728,679</u>	<u>925,779</u>
so that the liability of the National Loans Fund for investment deposits at 31 December was	<u>8,948,086</u>	<u>8,918,163</u>

### Consolidated Fund

There were no transactions with the Consolidated Fund.

Statement C

**Balance Sheet as at 31 December 1992**

	1992	1991
	£000	£000
<b>Assets</b>		
The liability of the National Loans Fund for investment deposits (Statement B) was	<b>8,948,086</b>	8,918,163
and balances held by bankers amounted to	<b>170,282</b>	<u>84,394</u>
So that total current assets were	<b>9,118,368</b>	9,002,557
However warrants issued not paid amounted to	<b>(22,212)</b>	(66,375)
and balances owed to agents amounted to	<b>(120,367)</b>	<u>(59,517)</u>
so that net current assets were	<b>8,975,789</b>	<u>8,876,665</u>
<b>Liabilities</b>		
The balance due to depositors (Statement A) was	<b>8,975,789</b>	<u>8,876,665</u>

*C D Butler*  
Director of Savings

Department for National Savings  
19 January 1994

# Notes to Statements A to C

- Interest Credited to Depositors** 1 The interest rate at the start of the year was 9.5 per cent. It was changed to 8.5 per cent from 19 May 1992, to 8.25 per cent from 19 August 1992, to 7.25 per cent from 6 October 1992 and to 6.25 per cent from 26 November 1992.
- Operating Costs** 2 Interest credited to depositors' accounts is borne by the National Loans Fund. The other operating costs, apart from pension costs, are borne by the Department for National Savings Vote. The expenses are as follows:

	1992		1991	
	£000	£000	£000	£000
Staff costs:				
Wages and salaries	11,409		10,838	
Social Security costs	664		608	
Pension costs	1,862		1,750	
		13,935		13,196
Other costs:				
Post and telecommunications	2,142		2,106	
Payments to Post Office and other agents	13,632		10,721	
Computer equipment (a)	1,647		568	
Property maintenance and services (a) (c)	631		2,635	
Computer operating costs (a)	407		313	
Stationery and printing	658		875	
Rates	897		960	
Publicity and associated administration costs	492		1,188	
Headquarters costs	1,103		1,005	
Miscellaneous (b)	760		705	
		36,304		34,272

(a) These are based upon an assessed proportion of the value of premises, plant and equipment used for investment deposit purposes by the National Savings Bank.

(b) Includes cash losses due to 84 cases of theft, fraud and irrecoverable payments amounting to £44,428. (1991 57 cases amounting to £58,944). During the year £22,232 (1991 £20,497) which had previously been brought to account in respect of losses was recovered from individuals.

(c) Refurbishment of the building occupied by the National Savings Bank, which began in 1990, was completed in 1992 at a total cost of £8.7 million.

- Adjustment** 3 An adjustment of £58,379,000 has been made to correct errors in a computer program present over a number of years. These had resulted in the overstatement of warrants issued but not paid and a corresponding understatement in the balance due to depositors. Changes have now been made to the system to prevent a recurrence of these errors.

- Post-Balance Sheet Event** 4 In March 1993, £113,052,050 was withdrawn from the National Loans Fund and paid to the National Debt Commissioners. This action corrected the effects of a systems problem which had resulted in the receipts for all new accounts opened at the National Savings Bank, including those opened by ordinary depositors, being paid into the National Loans Fund as investment deposits. The sums concerned were at all times held within central government funds, and depositors' holdings were not affected in any way. Changes have now been made to the systems to prevent a recurrence of the problem.

C D Butler  
Director of Savings

Department for National Savings  
19 January 1994

# Certificate and Report of the Comptroller and Auditor General

I certify that I have examined the financial statements on pages 2 to 5 in accordance with section 120 of the Finance Act 1980 and the National Audit Office auditing standards.

In my opinion the financial statements properly present the transactions of the National Savings Bank in respect of investment deposits for the year ended 31 December 1992 and the balances held at that date and have been properly prepared in accordance with section 120 of the Finance Act 1980.

Without qualifying my audit certificate I draw attention to Notes 3 and 4 to the account. Note 3 explains an adjustment which has been necessary to correct errors in a computer program present over a number of years which resulted in an overstatement of warrants issued but not paid and a corresponding understatement of the balance due to depositors. Note 4 refers to a transfer between the National Loans Fund and the National Debt Commissioners which took place after the year-end to correct the effects of another systems problem which had resulted in funds being deposited in the wrong accounts. Neither of the cases involved any loss to depositors nor any loss of public funds.

I have no other observations to make on these financial statements.

*John Bourn*  
Comptroller and Auditor General

National Audit Office  
17 February 1994

